UNIVERSITY OF PRINCE EDWARD ISLAND

AUDIT REPORT

DECEMBER 1998

AUDITOR GENERAL

PROVINCE OF PRINCE EDWARD ISLAND

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UNIVERSITY OF PRINCE EDWARD ISLAND
AUDIT REPORT
DECEMBER 1998

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The Honourable Speaker and
Members of the Legislative Assembly
of the Province of Prince Edward Island

As directed by the Legislative Assembly, I have conducted a value-for-money audit of the University of Prince Edward Island. I have the honour of presenting my audit report to the Legislative Assembly.

Respectively submitted,

J. Wayne Murphy, FCA
Auditor General

Charlottetown
Prince Edward Island
December 14, 1998

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OVERALL COMMENTS

A value-for-money audit was carried out at the University of Prince Edward Island at the request of the Legislative Assembly. To my knowledge this is the first time an audit of this nature has been conducted at a Canadian University.

Although the University did not react favourably to this audit, the Legislative Assembly was prudent in requesting that the audit be done. The University was concerned that the audit would affect its autonomy and academic freedom. The recommendations in this report do not diminish the autonomy and academic freedom of the University. However, we do emphasize the need for the University to publicly answer for the autonomy and academic freedom conferred by the University Act. We conclude that significant changes are required if the University is to be held accountable for fulfilling its mission and mandate.

The University is publicly funded through government grants, student tuition, and other sources to the tune of approximately $50 million. To date formal accountability for the expenditures of these funds has been limited to the provision of annual financial statements. This is not enough and the report deals extensively with the steps which need to be taken by the University to make it more accountable and transparent to taxpayers and students.

We make observations and recommendations on a wide range of subjects including governance, management of academic programs, research, the registrar's office, enrolment management, fundraising, the bookstore and a number of other administrative and academic support functions. The report contains a number of recommendations on the topics audited which will, if implemented, improve operations and enhance accountability to the students and the public. Following is a summary of our recommendations and the reader should refer to the relevant section for the observations supporting the recommendations.

REPORT RECOMMENDATIONS

Governance

1. The shared governance structure provided for under the University Act should be maintained.

2. A more rigorous process should be in place for determining appointments to the Board of Governors by the Lieutenant Governor-in-Council. Guidelines on the desirable qualifications and attributes of prospective appointed Board members should be developed and input from the Chair of the Board of Governors should be obtained in filling any vacancies.

3. Board policies on important governance and management issues should be determined and filed in a Board policy manual for reference and easy access. The Board should approve this policy manual as the current policies in effect. This policy manual should be updated with any new or amended policies approved by the Board.

4. The Policy and Planning Committee should have terms of reference approved by the Board and undertake an active role in assisting the Board on strategic policy and planning issues.

5. The Government and Community Relations Committee should have a clearly defined mandate and become active in supporting the Board in establishing linkages with the Government and the public.

6. The Board should take a leadership role in promoting improved communication and accountability by the University.

7. The Senate should identify the academic priorities for the University. This identification should be clear enough to serve as a basis for discussion on program changes.

8. In accordance with the University Act the President should prepare a formal report annually to the Board of Governors and the Senate. This report should report on the progress and requirements of the University and include any recommendations considered necessary.

9. A comprehensive conflict of interest policy should be prepared and approved for Board members, management, faculty and staff that includes:

- **definition of a conflict of interest;**
- **assignment of responsibility for administration of the policy; and**
- **description of disclosures and reporting required.**

10. The Government should establish a formal framework for dialogue with the University on strategic planning and long-term budgeting.

11. The Provincial Government in consultation with the University and the public should determine a long-term plan for higher education for the Province.

12. The Provincial Government should negotiate a long-term funding agreement with the University to implement the University's responsibilities under the long-term plan for higher education.

Accountability

13. The University should establish an accountability framework for public accountability reporting. It should include: a mission statement with clear objectives; clearly stated performance expectations; performance information compared to results expected; and a public accountability report.

14. The University Act should be amended to require the University to include performance information in its annual report.

15. Performance information in the University's annual report should be subject to periodic audit.

16. The University's annual report on performance should be referred, after tabling in the Legislative Assembly, to a Committee of the Legislature to provide an opportunity for the University to explain the report, and Members to deliberate and ask questions of the University regarding the report.

Financial Control and Budgeting

17. Budget information presented to the Board of Governors should include all expected revenues and expenditures.

18. A reconciliation which explains the variances between actual expenditures and the budgeted amounts approved by the Board of Governors should be prepared and presented to the Board when the financial statements are presented for approval.

19. Departments should provide a summary of budgeted and actual expenditures, with an explanation of the differences, to the Comptrollers Office. These should be summarized and reported to the Board of Governors.

20. Policies should be developed and approved for the administration of the various Funds.

21. Purchasing policies should be formally approved by the Board of Governors.

Planning

22. We recommend that strategic plans be formally approved by the Board of Governors and documented in the Board minutes.

23. Each year a report should be prepared and presented to the Board of Governors on any changes to the strategic plan and the progress achieved in relation to the strategic issues and goals established in the strategic plan.

24. The University should prepare an operational plan that links strategic objectives to the annual budget.

Human Resources

25. Human resource policies should be collected, reviewed, approved, and communicated in conjunction with the development of the University policy project that is currently in process.

26. The Human Resources Department should develop guidelines to be used by Deans to guide the hiring of faculty.

Academic Programs

27. The goals and objectives of the faculties of Arts and Sciences should be documented and approved at an appropriate level. In addition, goals and objectives should be reviewed annually to determine if they are being achieved.

28. Self-studies should be completed on a timely basis in accordance with Senate policy.

29. In accordance with the Faculty Handbook, a Market Differential Committee should be established to make recommendations on appropriate compensation levels where market differentials are involved. If the Faculty Handbook provisions are deemed to be out of date, revisions should be developed and approved at an appropriate level.

30. All faculty reviews should be completed and documented as required in the Faculty Handbook.

31. The Dean for each Faculty as well as the Chairs should sign off each faculty review as complete and in accordance with the Faculty Handbook policy.

32. Section 7.8 of the Faculty Handbook should be clarified with faculty so that information requested by the Dean or the President is provided.

33. Consideration should be given to annual reviews of all faculty members.

34. The method for reviewing course evaluations should be improved. The process in the faculties of Arts and Science should ensure all evaluations are reviewed by the Deans.

35. The Board of Governors should examine alternatives to the process for selecting Department Chairs.

36. The University should document its overall objective on the relative emphasis to be given teaching, research and service. Methodology to do this has been developed within the Faculty of Veterinary Medicine and appropriate methodologies should be developed in the

faculties of Arts and Science. In addition, faculty should be held accountable for their actual activities by comparing them to their expected performance and the results documented.

37. Graduate surveys should be implemented to assist in assessing the appropriateness of programs and courses in the faculties of Arts and Science.

38. The faculties of Arts and Science should have a more structured approach to monitoring and evaluating programs and courses.

39. We recommend that the University use the methodology provided by the Maritime Provinces Higher Education Commission in the University Costing Study to prepare further analysis on costs. This information should be summarized and used by senior management, the Senate and the Board of Governors as part of the internal decision-making process in determining financial and academic plans.

40. Overall, there is a need for a more formalized management reporting system that requires performance information to be provided by each faculty to the President. The President should incorporate aggregated information from these reports in the President's report to the Board of Governors. These reports should form the basis for the annual report of the University to the Legislative Assembly.

Research

41. The University should take steps to address the recommendations in the research study completed in 1997 and the issues pertaining to research in the MPHEC Report.

42. The University should consider establishing further areas of research focus for Main Campus based on current or potential expertise or capacity.

43. The search for a Director of Research Development should be completed as soon as possible.

44. An operational plan should be developed for the Research Development Office to encourage, promote, and support research within the University.

45. The draft Grants and Contracts Handbook should be completed and formally approved.

46. The University should take steps to resolve the issue on research overhead and ensure that overhead is charged in accordance with policy on all research contracts.

47. Targets should be set for assessing the procedures in place designed to increase the quantity and quality of research carried out by the University Main Campus. These targets should include:

- number of applications to funding agencies;
- number of grants awarded; and
- number of grantsmanship seminars conducted.

48. Performance achieved in relation to the targets established should be reported to senior management periodically.

49. The University should establish policies on authority and limits for research expenditures funded through discretionary accounts.

50. Information on unfunded research activity should be reported annually to the Research Development Office and summarized with existing information on funded research activity. This information should be reported in the Presidents' annual report to the Board of Governors and included in the University's public accountability report.

51. In all academic units, expectations related to research should be clearly articulated at the time of the faculty member's review.

Enrolment Management

52. The Enrolment Management Plan should be a priority and be developed as soon as possible. This Plan should set the desired size and composition of the student body; include a recruitment management plan, require performance information on the achievement of recruitment plan objectives, and include retention strategies.

Office of the Registrar

53. The Office of the Registrar should document the goals of the Office addressing both the administration of academic regulations as well as service delivery expectations.

54. Endowed and special purpose accounts which are inactive should be reviewed with a view to consolidation in order to maximize the number of scholarships awarded as long as the original terms of the endowments are followed.

55. A database of all endowed and special purpose accounts should be created and the accounts monitored to ensure available amounts are paid out as required.

Fund Raising

56. The integrated relationship marketing strategy should be presented to the Senior Management Group and to the Board of Governors for approval.

Physical Plant

57. A complete space inventory should be prepared which indicates current usage and space assigned to particular departments.

58. Regular reporting of space usage should be implemented in accordance with the Space Committee's terms of reference.

59. A space plan should be completed by the Space Committee and approved by the President.

60. The administration of room bookings should be reviewed with the intent of reducing the number of duplicate systems and formulating clearly defined policies regarding access to campus facilities. A single database system to manage all room assignments should be considered.

61. The decision to use Physical Plant staff on alteration and renovation projects should be based on a more complete evaluation of its affect on normal maintenance activities.

62. A work order system should be implemented which accumulates time and costs spent on jobs, and enables monitoring and reporting of results.

63. The amount of overtime paid to employees should be more closely monitored to ensure staffing levels are adequate and costs are minimized.

64. The Physical Plant costs transferred to Residence and Conference Services should be based on actual labor costs incurred.

65. There should be improved communication between Physical Plant staff and users making requests for services.

66. The Atlantic Veterinary College should be charged with their actual heating costs.

Computer Services

67. Management should improve the process for establishing and changing the scope of projects so that changes are approved by both users and IT support personnel.

68. Systems documentation should be updated to preserve knowledge of the systems, thereby allowing effective and continued systems support.

69. There should be a comparison of the actual benefits achieved for IT projects, six months to a year after implementation, to the benefits projected in the original business case. Consideration should be given to performing formal post implementation reviews for projects.

Residence, Food and Conference Services

70. The business plan for the Residence and Conference Services Section should be completed and approved on a timely basis.

71. The process for setting rates for the residences and conference services should be clearly defined based on specific objectives.

Athletics

72. The Department should review the membership rate structure to reaffirm what degree of subsidization is appropriate for each type of user and how the rates compare to other entities offering similar programs and services. User fees should be set in accordance with realistic financial objectives.

Bookstore

73. The various informal operating policies and procedures of the Bookstore should be formalized, documented and approved by management.

74. The University should explore options to help minimize the cost of textbooks to students.

INTRODUCTION

Audit Mandate

In December 1997, the Legislative Assembly unanimously adopted a resolution by the Public Accounts Committee requesting that the Auditor General perform a value-for-money audit at the University of Prince Edward Island (UPEI). Value for money is a generic term for an audit that encompasses economy, efficiency and effectiveness issues in an organization. Under Section 13 of the Audit Act these engagements are referred to as special audits and examinations. It is important the reader understand the approach used in these audits and the expectations that are reasonable. The most prevalent form of reporting currently used in this type of audit is direct reporting. This was the approach we used in our audit at the University. Under this form of reporting, observations and recommendations are made on the adequacy of management systems and practices relative to the economical, efficient, and effective administration of financial and human resources. We also consider whether the public and the Members of the Legislative Assembly are being provided with accountability information.

The environment we faced in undertaking this audit should be put in context. Dr. Epperly, the former President, strongly opposed this audit and deemed it an intrusion on the independence of the University by government. As well, senior management by and large opposed the idea of an audit being done. Some members of the Board of Governors were against the idea and the Student Union also had concerns. This was not a situation conducive to carrying out an audit.

Before the audit began, I met with the former President and explained that this audit was not requested or controlled by government but was based on a motion by the Legislative Assembly. The Auditor General is a servant of the Legislative Assembly independent from government and the scope of my audit work was not determined by government. This is a significant point which assured the University that the audit would be independent and objective. I met with members of the Student Union and explained our intended approach and sent a letter to each member of the Board of Governors explaining the process. In addition, senior staff met with senior management at the University. These meetings proved worthwhile. Our mandate was recognized and accepted. Also during these discussions I emphasized that the audit, because of its scope and limitations, would not pose any threat to academic freedom. After these initial discussions, cautious but complete cooperation was extended to us by University management. In fairness, the University has never been exposed to an audit of this nature and we made every effort to alleviate the apprehensions that were evident.

Background

It is also useful to provide some background on the state of affairs at the University when we began the audit. The University has been in the throes of change and reorganization for the past three years. In 1995 an outside evaluation of the University was in process and shortly thereafter a consultant's report was released that recommended substantive changes to the structure and operations of the University. At the same time the University initiated a strategic planning process. The resultant report *Charting Our Future* contained an ambitious program to deal with a number of strategic issues. When the former President, Dr. Epperly, was appointed in 1995 she was immediately faced with addressing these reports. One of the most difficult areas targeted by the former President was the reorganization of the University. The University had not experienced a major reorganization of this nature since its inception over 25 years ago and this posed a major challenge for the former president to implement. When we arrived a revised management structure was in place, however, many other initiatives outlined in *Charting Our Future* were still in process. They were also conducting separate studies and reviews of a number of administrative and academic functions. For example, studies of the Registrar's office and campus security, were underway and research had been independently reviewed.

These developments were positive steps by the University but made it difficult in some instances from an audit perspective because a number of changes were pending. In addition, President Epperly resigned for health reasons in June. This was unfortunate because even though she opposed the audit, Dr. Epperly was cooperative and provided input helpful to us as the audit progressed. The University is still working on a number of the projects initiated by former President Epperly. Suffice to say we did not enter a static environment and this did not make it any easier for the audit staff or staff at the University.

The University is a large and complex institution with expenditures of approximately $50 million and faculties and schools for the Arts, Science, Nursing, Education, Business and Veterinary Medicine programs. It would not be practical to attempt to audit every program and activity in each of these areas. The audit covered the key programs and activities keeping in mind their significance in dollar terms and the impact on the students and general public. In addition, strong emphasis was placed on the governance structure and the accountability framework in place to answer for the responsibilities conferred under the University Act.

The starting point for the actual audit work was the University Act. The University derives its existence and authority as an institution of higher learning from legislation passed by the Legislative Assembly. In this sense the request for the audit came appropriately from the Legislative Assembly, the body the University is ultimately answerable to for carrying out the responsibilities under the University Act. The University Act spells out the objects and powers of the University, its governing structure, and powers of the Board of Governors, the Senate, the President and other officers and appointed individuals.

Given the skepticism of some University management and faculty on the appropriateness of the Auditor General examining its affairs, I knew performing this audit would be challenging. I understood that my office may be perceived by some as naive to the realities of the current university environment. That is why extra time and effort were taken to obtain a good knowledge of UPEI's operations before the actual audit work commenced. In addition, we reviewed other initiatives on university governance and accountability that were done or were underway in other jurisdictions. There are a proliferation of studies, commissions of inquiry, independent reports, and other initiatives on this subject across Canada, the United States, and Europe. These endeavours provided numerous conclusions and recommendations, some of them conflicting. The subject of University governance and accountability has been studied extensively and these efforts are generating interest and discussion by all concerned. It was useful to review the documentation on many of these initiatives. There are many common problems that surface in many of these studies but each University is unique and must focus on the mandate it is answerable for under its enabling legislation.

In addition, I met with representatives from the Maritime Provinces Higher Education Commission and reviewed the impact of their work on UPEI's programs and activities. Annual reports from other Atlantic universities were obtained where feasible. I met with an executive committee member from Queen's University who served on various task forces and committees dealing with university governance and accountability. Also, outside expertise was used to assist us in auditing some aspects of the academic programs and the information technology at the University. I met with experts on governance and accountability issues at the CCAF (Canadian Comprehensive Auditing Foundation) who have dealt with the university community and are advocating improvements in accountability and governance in universities and colleges. However, the bulk of the audit effort was undertaken by the dedicated efforts of highly qualified professional audit staff from my office. This was a major challenge for them and I am very appreciative of their professionalism and dedicated efforts. Also, the management and staff at the University were very helpful and I express my appreciation to them for their patience and cooperation.

Acknowledgements

The responsibility for this report, however, is solely my own, and I hope it proves constructive and useful to the members of the Legislative Assembly in their deliberations on this, our only University and a very important Island institution.

1. GOVERNANCE

Introduction

1.1 The governance structure at the University is clearly spelled out in the University Act. This structure is similar to most universities in Canada and is referred to as a bicameral approach to governance. This approach is based on the premise that universities ought to operate autonomously through a system of shared governance. The governing bodies under this structure are the Board of Governors and the Senate.

1.2 We found no evidence why this approach to governance at UPEI should not continue. Some would argue that this structure may have outlived its effectiveness and that a modern day university should redefine its governance structure in light of the substantial changes and demands that have occurred in the last twenty years. We agree improvements can be made but the essential structure as determined by the University Act can continue to work.

1.3 Some will extol the advantages of the corporate model of decision making with its bottom line emphasis. Everyone would agree that the bottom line cannot be ignored and that due regard for economy, efficiency and effectiveness are major considerations for any organization including universities. However, the University environment is unique. That is why it was established by a separate Act of the Legislature. To believe that the corporate model could be adapted to the University environment oversimplifies why the University exists and how it should be run. The realities confronting the University do not lend themselves to a corporate decision-making model. The University of Prince Edward Island is an institution of higher learning and the academic dimensions of its mandate have to be served by a governance structure that ensures sufficient focus and emphasis on its main line of endeavour, which is higher education. At first glance this type of structure appears inefficient, cumbersome and would seem to go beyond all limits in terms of participation in decision making. The fact is, in order for the University to be true to its mission and mandate, a deliberative shared governance process is required. Otherwise the freedom of the University as expressed in subsection 3(3) of the University Act could be in jeopardy. The Act states:

> *(3) The University shall be a place open to the expression of all doctrines and creeds, religious, political or philosophical, but shall not be a place of, nor function on behalf of, nor be controlled by any one creed or doctrine or any group of creeds or doctrines.*

1.4 Our review concluded that the shared governance structure remains appropriate for the University. However, we also concluded that the governance processes should be reviewed and strengthened in some respects. We reviewed the minutes of the Board of Governors, Senate and Senior Management Group meetings. We interviewed the Chair of the Board of Governors, Chair of Senate (President), the President, and Senior Management. In addition we sent a detailed questionnaire on governance and accountability to each member of the Board of Governors. We also consulted with outside professionals with experience and knowledge in university governance matters. In addition, we comment on the role of Government in its relationship with the University.

Board of Governors

1.5 There is constituted under the University Act a Board of Governors consisting of 22 members. The Act provides for a diverse membership which consists of:

- the Chancellor of the University
- the President
- the President of Holland College
- two members elected by and from the Senate of the University
- two members elected by and from all members of teaching staff of the university
- two members elected by and from the student body
- two members elected by and from the Alumni Association of the University
- nine members appointed by the Lieutenant Governor-in-Council
- two members elected by the above members of the Board.

1.6 The Board as constituted under the Act allows for representation from the key constituencies it represents. This is very important and although it contributes to a sizable board, the size of the Board is not unreasonable based on our review of other university structures. The Board of Governors is empowered to deal with policy and strategic issues and decisions on academic matters forwarded by the Senate requiring Board approval. The management, administration and control of the property, revenue, business and affairs of the

University are vested in the Board. The Board is supported by a committee structure and the President, who is supported by a Senior Management Group.

1.7 This approach should in no way downplay the Board's importance and its ultimate responsibility for overseeing the functioning of the University. In fact, it should strengthen their contribution on the significant issues facing the University because valuable volunteer time is not taken up considering detailed matters that can be dealt with by others.

1.8 The crucial role of the Board under the Act is to ensure the fiscal well being of the University. Through the budgeting process the Board makes the ultimate decision on approving the substantial expenditures amounting to approximately $50 million required to implement the academic programs established by the Senate. Some would argue that universities are not about bottom lines but that does not mean prudent financial management is not important. Financial resources are limited, and it is the onerous responsibility of the Board of Governors to deal with this issue while at the same time fulfilling its obligation to uphold the academic mandate of the University and concerns of the public. One of the roles of the Board of Governors is to interface with the community. In that capacity it is able to represent the interests of the public to the University and, at the same time, fulfil its due diligence role as a governing body.

1.9 The questionnaires we sent to the Board covered these major issues and other additional topics. The feedback provided by the responses, information obtained from interviews, and decisions documented in the Board minutes indicated a committed, active, Board prepared to deal with all of these challenges. These same sources of information also revealed that improvements can be made that will enable the Board to enhance its effectiveness in carrying out its mandate.

1.10 Although we did not evaluate the background, experience, or education of current Board membership, we saw no evidence that this was a problem. However, there are currently no criteria or guidelines on the desirable qualifications and attributes of prospective appointed board members. This is important because of the diversity of interests represented on the Board and the need to bring a balance of financial, academic, social and economic development expertise to bear on the budgeting and policy decisions of the Board.

1.11 Because the Board is comprised of a combination of elected, ex-officio, and appointed members, the appointed members can fill important voids in expertise that may exist. In our opinion, the Lieutenant Governor-in-Council appointments require a more rigorous process. Currently, there are no formal criteria or guidelines for making these appointments and the effectiveness of the Board could suffer if its needs are not adequately considered when these appointments are made. We are not suggesting the power by the Lieutenant Governor-in-Council to make these appointments be curtailed but the individuals chosen should have, to the extent possible, the qualifications required to fill the Board's requirements at the time.

1.12 Another issue of concern is the absence of clearly stated Board policies on important governance and management issues affecting the University. Many policies exist on a number of subjects, however, the authority for the policy, its origin or its rationale is not always evident. Also, the Board policies are not filed in a policy manual for reference and easy access. The Board is the ultimate financial decision-making body at the University and sets policies on significant matters that determine the successful operation of the University. These policies need to be clearly stated and communicated and used as a reference point for decision-making on significant issues. The need for documentation of policies was recognized by the University with the establishment of a policy project in 1997. However, this project is still being worked on. Board policies should be at a high level and not include the many operational day to day type policies that also now exist. Because there are a number of policies which evolved over the years from the Board and a variety of other sources, it may be more expedient for the Board to determine a current set of Board policies appropriate to its existing structure and mandate.

1.13 Committees of the Board can be a useful vehicle to have important matters studied and recommendations prepared for the main Board. These committees have fewer members than the Board and allow for a more thorough review of an issue than would be practical by the entire Board. It is not the intention that these committees usurp the power of the Board but should serve the Board in fulfilling its governance responsibilities. There are five committees of the Board at UPEI. The most active committee is understandably the Executive Committee. This committee consists of the Chair, Vice Chair, President, and four other members. This committee deals with many issues and reduces the workload of the full Board. This committee is very active and is working well.

1.14 There is also a Policy and Planning Committee. This Committee does not have formal terms of reference. There is concern that the Committee needs to change its focus and become more active in dealing with strategic issues facing the University. This Committee would be expected to assist the Board in strategic planning and policy setting. Some Board members feel the Board is too reactive and a more proactive approach is required in setting the strategic direction of the University. The strategic action plan that evolved from the consultant's report is called, *Charting Our Future* and is a case in point. This plan was not formally approved by the Board, however, the members were informed of its status of implementation periodically. The Policy and Planning Committee formed as a result of the reorganization could have played an important role in monitoring this plan including recommending priorities to the Board for implementation. This Committee needs to become more active on strategic issues.

1.15 The Finance Committee deals with the financial statements and the budget as well as any other major expenditure or financial commitment of the University. It consists of six Board members, including the Chairman of the Board and the President as ex-officio voting members. The Appeals Committee hears any appeals directed to the Board as provided in the University Act.

1.16 The newly formed Government and Community Relations Committee is not active. There is some concern that the terms of reference need to be more clearly defined. This Committee provided with an appropriate mandate could serve a very important purpose for the Board and the University as a whole. Universities generally are coming under increasing scrutiny by governments and the general public, and UPEI is no exception as the request for this audit illustrates. An opportunity exists for the University through this Committee to enhance communications between the University, the public and the Government. The University's reliance on Government funding and its need to communicate better about its performance points to the importance of having an ongoing vehicle to inform and advise the Board on these subjects.

1.17 Universities are perceived by some to be somewhat detached and not very forthcoming in terms of public accountability. Whether or not these blanket opinions are valid, universities cannot afford financially or academically to allow any kind of perceived "ivory tower" image to take hold. For our own University this can best be dealt with by finding more and better ways for the University to be more accessible and accountable to the students, Government and the public. Although the University has started to deal with this issue, much more needs to be done. It should also be acknowledged that there are many positive opinions about the University and these too can be built upon in developing strategies for improving communication and accountability. The Board is an important interface between the University and the community. This position allows the Board to gauge public opinion and provide leadership to the University in responding to the information needs of the community.

The Senate

1.18 Under the University Act, the Senate is responsible for the academic policies of the University and may recommend to the Board of Governors the establishment of such faculties, schools, departments, chairs, fellowships and courses of instruction as may seem necessary and desirable. The Act gives a number of powers to the Senate to carry out these responsibilities. For example, three significant powers provided for under the Act are:

- to control, regulate and determine the academic policy of the University;
- to determine the courses of study and standards for admission to the University and for continued membership therein and the qualifications for diplomas, certificates, and degrees including honourary degrees, and to authorize the conferring of diplomas, certificates, and degrees, including honourary degrees; and
- to establish procedures for the evaluation of student performance and to provide for the conduct and supervision of examinations.

1.19 There are also other powers granted the Senate which deal with a number of issues such as scholarships, bursaries, preparation of the University calendar, and other matters pertaining to the academic functioning of the University.

1.20 The Senate of the University is a large group consisting of 42 members. There are 21 members elected by the faculty from among the teaching staff. There are 6 members elected by the Student Body; 1 member elected by the Alumni Association; and 1 member elected from the Board of Governors. In addition, the following are members of the Senate by virtue of their position: the President, the Vice-Presidents, the Deans of Faculties and Schools, the Registrar, the Director of Extension and Summer Sessions, the Chief Librarian, and the Student Union President. There are also 13 committees of the Senate with varying membership and terms of reference.

1.21 The size of the Senate and its committees is large and cumbersome. Meaningful discussion on important academic issues can be a challenge with such a large number of members. The structure of the Senate is established under legislation. Most universities have a large representation on their Senate and this has been the tradition with universities for a long period of time. The report of the Organizational Review Committee *Living With Paradox* recommended that the Senate be reduced in size and that the matter be studied by the University. A committee examined this issue and a number of models were studied. A decision was made to retain the existing structure.

1.22 A review of the Senate minutes and committee activity revealed there is considerable deliberation on matters affecting the academic programs at the University. The Senate Academic Review and Planning Committee is mandated to recommend to Senate academic directions, policies, and strategies that create a pattern of academic programs consistent with the declared mission of the University. We noted that this is done on a regular basis when new programs are introduced or existing programs are revised. The Committee has been very active and through its recommendations has an influential role in setting the academic direction of the University. The Senate, through this Committee, and other committees shapes and manages the academic plan of the University and ensures new programs meet the requirements of the Maritime Provinces Higher Education Commission and are congruent with the mission and mandate of the University.

1.23 However, one important area of concern has not been adequately dealt with by the Senate. The Academic Review and Planning Committee and the Senate have not identified the academic priorities at the University. In some ways, it may be understandable that this has not been done because the University has not, until recent years, been restrained in any major way fiscally in delivering its programs. However, that is changed now and a clear indication of this change occurred during the budget process for 1997-98. During that budget process, the Provincial operating grant was reduced by 6 percent amounting to $939,000. The Board made a number of budget cuts. Senate could not come to grips with what the academic priorities should be in the face of the fiscal difficulties faced by the University, leaving the budget-making process to assign priorities to academic programs and positions. Although the matter has received a great deal of discussion and options have been studied, there still does not exist a documented ranking of priorities for academic programs at the University. This would serve as a reference point for discussion on reductions or changes to academic programs required due to resource restrictions. In spite of the difficulties associated with setting academic priorities, this should be done to ensure programs and courses offered are congruent with its mandate and can be provided within the budget available.

The President

1.24 The President is Vice-Chancellor and Chief Executive Officer of the University. Under the University Act, the duties of the President are to supervise and direct the implementation of the educational policy and general administration of the University, faculty, officers, employees, and students. In carrying out these duties, the President is on the Board of Governors, is Chair of the Senate, Chair of the Senior Management Group, and serves on other committees and organizations both inside and outside the University. This is a very important and demanding position and the University is currently in the process of selecting a new President.

1.25 We noted that subsection 28(5) of the University Act requires the President to report annually to the Board of Governors and the Senate on the progress and requirements of the University and make such recommendations as is considered necessary. There was no evidence that a formal written report is made by the President annually as required under this section. We recognize that the President is on the Board of Governors and chairs the Senate and makes reports on an ongoing basis throughout the year. In our opinion, for an institution this size, reporting under the Act would include a formal report at least annually on the major issues affecting the University, including recommendations where necessary.

Conflict of Interest

1.26 Conflict of interest is a complex but very important subject. The University does not have a comprehensive policy on conflict of interest and the issue was raised in *Charting Our Future*. Although there are references made to conflict of interest in various documents, for example, in the Board regulations and the research policies, these are insufficient in scope and explanation to serve as a useful guide in dealing with potential and actual conflict of interest situations. It is reasonable to expect, where public funds are involved and in this case student tuition as well, that a comprehensive policy on conflict of interest should exist. This policy would cover the Board of Governors, management, faculty, and staff and require disclosure of potential conflicts of interest. A policy of this nature should not be so demanding and detailed that it is impractical to meet or implement. However, it would contain significant matters such as: disclosure by Board members of interests in businesses with on-going or significant financial dealings with the University; disclosure by academic staff of all research performed on University premises; rules on outside consulting assignments by academic staff; exclusion of academic staff representatives from discussions by the Board on salary matters for faculty; and disclosure by management of their business interests, shareholdings, and other significant financial involvement.

1.27 These are some of the issues that should be covered in a conflict of interest policy. The important point is that a formal policy be developed that places the onus for disclosure on the individual and that the interests of the University are protected to the extent reasonable.

The Role of Government

1.28 Under the University Act, the Provincial Government has no direct role in governance at the University. This provides the University institutional autonomy to manage its operations and freedom to determine the academic programming to be provided to students. During the course of the audit no one has questioned the degree of freedom enjoyed by the University. In fact, most would argue that institutional autonomy and academic freedom are essential if the University is to meet its mission and mandate as an institution of higher learning under the University Act.

1.29 The Provincial Government, however, has a large stake in the University fulfilling its mission and mandate. The Province incurs annual expenditures of over $20 million in public funds to ensure the existence and successful operation of the University. Because the Government is answerable to the public for the expenditure of these funds, it must take into account the concerns and expectations of the public with regard to the University. In addition, student tuition amounts to approximately $10 million and additional revenues are raised from the public through fund raising. This introduces the accountability dimension that needs to exist between the Government, the University, and the public. The current reporting relationships between the University, Government and the public do not provide adequate accountability information on the performance of the University in meeting its mandate. This issue must be confronted and we have devoted a separate section of the report to this important topic.

1.30 In our view, the Provincial Government also has an important role and responsibility in major policy issues affecting higher education in the Province. As the elected representatives of the people, the Government is responsible for the policies and framework for higher education at the provincial level. This means that major policy decisions affecting the provincial funding to the University will require discussion and debate. The discussion and debate to date has mainly centered around the annual budget and individual financial issues that arise. For example, the Provincial Government reduced the planned budget cut for 1998-99 by $350,000 because of the impact on tuition fees. A long-term plan for higher education for the Province is needed. This plan should be determined by the Province with input from the University, the public and the students. Although the Department of Education has objectives for higher education, a long-term plan for implementation with expected results does not exist. Currently the University is working with Government to develop an Education and Training strategy for PEI.

1.31 One of the concerns expressed by the University is the lack of a long-term plan for funding. This requires them to react in the short term to any budget cuts. The situation, combined with a lack of academic priorities being established by the University that we mentioned previously, raises concerns that decisions can be made without knowing what their full impact will be on the quality of education ultimately offered. If a long-term plan for higher education was developed by Government and the plan was accompanied by the Government's financial commitment for at least a five year period, it would force both the Government and the University to decide on priorities for higher education and remove most of the uncertainty from the annual budgeting process. An exception to this situation exists for the Atlantic Veterinary College because an agreement between the Atlantic Provinces was required outlining each province's financial contribution for a five year period. This agreement also required that a business plan be prepared for the length of the agreement.

1.32 The current University Act provides no practical means for the Government and the University to dialogue on strategic objectives for higher education and budgetary matters. Over the years Governments and University administrations have operated on the premise that the more arm's length the relationship the better. This has occurred because in my view both were cautious of violating the concept of autonomy and academic freedom. The autonomy and academic freedom of the University is clearly entrenched in the University Act and is in no danger of being infringed upon. In fact, more dialogue between Government and the University on higher education matters and the implications in terms of funding would enhance the University's ability to deliver on its mandate to the students and public of PEI. More formal arrangements for the University and Government to dialogue on strategic objectives for higher education and budgetary matters are required.

1.33 This situation needs to be rectified if the public are to be assured of value for money in the substantial expenditures for higher education being made from the public purse. Dramatic change would not be required to correct this situation. Interestingly, the University Act does not refer to a specific minister for its dealings with Government, however, it does refer to Executive Council. The Minister of Education by Order-in-Council is the Minister responsible for the University Act. For a brief time there was a Department of Higher Education and we were advised by former President Epperly that she found her informal discussions with this Department very helpful to her on obtaining Government's views on important matters affecting the University. In our view a practical approach would be for Executive Council to determine the kind of liaison that would be appropriate for communicating with the University on strategic and budgeting issues whether it be the Department of Education or some other appropriate forum. We are not referring here to the limited discussion during the annual budget process and other ad hoc meetings. What is needed is a high level discussion between the Government and the University with input from the public on the long-term direction for higher education. The recent discussions between the University and Government regarding the introduction of a Masters program at the University would have benefitted from an understanding between the University and Government about the long-term direction of university-level education in PEI. The Provincial Government has responsibility for higher education policy in the Province and should take the lead on this issue. This can be done without any risk to the academic freedom and autonomy of the University.

Recommendations

1.34 The shared governance structure provided for under the University Act should be maintained.

1.35 A more rigorous process should be in place for determining appointments to the Board of Governors by the Lieutenant Governor-in-Council. Guidelines on the desirable qualifications and attributes of prospective appointed Board members should be developed and input from the Chair of the Board of Governors should be obtained in filling any vacancies.

1.36 Board policies on important governance and management issues should be determined and filed in a Board policy manual for reference and easy access. The Board should approve this policy manual as the current policies in effect. This policy manual should be updated with any new or amended policies approved by the Board.

1.37 The Policy and Planning Committee should have terms of reference approved by the Board and undertake an active role in assisting the Board on strategic policy and planning issues.

1.38 The Government and Community Relations Committee should have a clearly defined mandate and become active in supporting the Board in establishing linkages with the Government and the public.

1.39 The Board should take a leadership role in promoting improved communication and accountability by the University.

1.40 The Senate should identify the academic priorities for the University. This identification should be clear enough to serve as a basis for discussion on program changes.

1.41 In accordance with the University Act the President should prepare a formal report annually to the Board of Governors and the Senate. This report should report on the progress and requirements of the University and include any recommendations considered necessary.

1.42 A comprehensive conflict of interest policy should be prepared and approved for Board members, management, faculty and staff that includes:

- **definition of a conflict of interest;**
- **assignment of responsibility for administration of the policy; and**
- **description of disclosures and reporting required.**

1.43 The Government should establish a formal framework for dialogue with the University on strategic planning and long-term budgeting.

1.44 The Provincial Government in consultation with the University and the public should determine a long-term plan for higher education for the Province.

1.45 The Provincial Government should negotiate a long-term funding agreement with the University to implement the University's responsibilities under the long-term plan for higher education.

2. ACCOUNTABILITY

Introduction

2.1 Public accountability by universities has become a prominent topic in recent years. This arises in large part because of the extent of public sector funding and student tuition increases. The public is becoming increasingly interested in how these funds are being managed and whether they are being used for the purpose intended.

2.2 More and more in recent years public sector organizations are being asked to publicly account for what has been accomplished with the resources entrusted to them. A number of provincial jurisdictions have either enacted legislation or established policies requiring improvements in accountability. In our own Province, the Financial Administration Act was amended in 1996 and requires numerous public sector organizations including health boards to publicly report on goals and results achieved annually. Also, the government of Canada requires organizations such as the National Research Council to prepare performance reports.

2.3 Over the past ten years a number of task forces and commissions have been established across the Country to deal with university education issues. Issues of university accountability and governance were a dominant theme and sometimes the main agenda for these studies. It is widely recognized that the performance of universities is not well communicated and understood by the public. The large sums of public money spent on universities is giving rise to this demand for increased accountability by universities. All of the reports called for universities to answer this growing concern to be more accountable, and to organize themselves to begin reporting to the public on their stewardship of public funds. These initiatives demonstrate that both the public sector and the University community are being called upon to respond to the demands of the public for enhanced accountability.

Institutional Autonomy and Academic Freedom

2.4 From our review of numerous reports it is evident that universities across Canada recognize the growing trend toward increased accountability. They do, however, share some concerns around this issue, most notably the need for universities to have their institutional autonomy and academic freedom protected. Universities operate in a unique environment. This is recognized and for most universities is embodied in their enabling legislation. The University of Prince Edward Island is no exception.

2.5 The University exists with a high degree of institutional autonomy. The University has its own governance and management structures and a large degree of freedom to manage its own affairs and develop programs within the broad purposes and objects of the University established in the legislation. This institutional autonomy in turn helps to protect and preserve academic freedom. Academic freedom allows scholars freedom to pursue truth and knowledge, and allows them to operate with a minimum of outside interference. Unfortunately, terms such as accountability and value for money conjure up fears of government interference and threats to academic freedom. In our view these fears are not warranted and resistance to these ideas only serves to make a curious public become skeptical. A large degree of autonomy under the University Act gives the University extensive freedom. This freedom was conferred by legislation and should be answered for publicly.

2.6 Autonomy and accountability are not incompatible. The greater the need for an organization like UPEI to operate autonomously, the greater the need to demonstrate public accountability for results achieved. Accountability reporting should take into consideration the very distinct nature of the University as a consequence of its autonomy. In other words, it should publicly report on what it set out to achieve within the broad objects and purposes mandated by the Legislative Assembly. Clearly the bicameral governance structure and the Office of the President provide for strong governance, leadership and a high degree of latitude in setting the strategic direction and activities of the University. To move to reporting information on performance will be a challenge, however, it is one that can no longer be avoided.

Roles and Responsibilities

2.7 We reviewed the accountability relationships between the University, the government and the Maritime Provinces Higher Education Commission (MPHEC) to determine whether roles are clearly defined, and sufficient, appropriate information is reported. We conducted interviews with senior management of the University, met with representatives of MPHEC and the Department of Education. We reviewed external reports released by the University, MPHEC and the Department of Education to determine what accountability information is currently reported to the public. In addition, we reviewed a number of studies on accountability in the post secondary education sector and spoke with experts and other individuals from across the country who are heavily involved in accountability issues. We also obtained current information on accountability frameworks and public reporting from the CCAF (Canadian Comprehensive Auditing Foundation) and the Canadian Institute of Chartered Accountants. Work done by the Canadian Association of University Teachers and other university studies were also examined.

2.8 The Act clearly establishes the obligation for the University to account to the Legislative Assembly. It requires the University Board of Governors to make an annual report of its transactions including audited financial statements and such other particulars as the Lieutenant Governor-in-Council may from time to time require. A copy of the annual report is to be transmitted to the Senate of the University and to the Legislative Assembly.

2.9 Reporting to the Legislature has been limited to annual audited financial statements. Financial statements provide information on the financial affairs of the University, but they do not provide sufficient information for the public to know what the University is doing, why it is being done, and whether it is being done well. Performance information linking what it set out to achieve to what it actually accomplished is required to demonstrate its accountability for the resources provided. In recent years the President has prepared and distributed a public report. It provides summary financial information and describes a number of initiatives and programs in place at the University. This is a step in the right direction but this report is not an accountability document that reports on results achieved in comparison to original performance expectations.

2.10 The University Act does not require any accountability reporting by the University to the Department of Education. The only mandated reporting is to Executive Council with the provision of the annual report for tabling in the Legislative Assembly. The Minister of Education is responsible for the University Act and his department provides the funds for the University. The Department is also assigned responsibility for post secondary education on PEI.

2.11 The Maritime Provinces Higher Education Commission was established in 1973 as an agency of the Council of Maritime Premiers with the enactment of legislation in each of the Maritime Provinces. Its role has evolved over time and in June 1997 "An Agreement Respecting the Renewal of Arrangements for Regional Cooperation Concerning Post Secondary Education" was signed by the three Maritime Provinces' Ministers responsible for post secondary education. This agreement is expected to be followed up with the appropriate amendments to the legislation of each province. These amendments change the focus of MPHEC from funding matters to mainly a supportive and coordinating role for the universities and the Ministers of Education. It is too early to assess the benefits expected from this new arrangement. The Commission publishes an annual report each year, including financial statements and statistical and descriptive information, that is tabled in the PEI Legislature. The principal functions of the Commission under the new agreement are; quality assurance, data and information, stimulating cooperative action, and administration of regional programs.

2.12 The Commission's function regarding data and information is important in the development of public accountability reporting. In particular, the Commission engaged consultants to conduct a study of information requirements of Maritime universities and how those requirements might be met. The final report entitled *An Information Framework for Higher Education in the Maritimes* was released in December 1995 and circulated to all Maritime universities. As a follow-up to this initiative, MPHEC undertook to develop a comprehensive Information Framework in partnership with the universities and governments. The elements of this framework should support enhanced accountability reporting. When discussing our draft report we were informed there is now general agreement about the components of the framework. In addition, there is an implementation schedule beginning in early 1999.

2.13 A number of organizations have roles and responsibilities in the delivery of post secondary education on Prince Edward Island. The Maritime Provinces Higher Education Commission serves the provinces, however, the Commission does not have specific authority to require individual universities to comply with recommendations in its reports. The Minister of Education presents the budget for post secondary education to the Legislative Assembly for approval. The Legislative Assembly approved the University Act which requires financial reporting by the University through Executive Council to the Legislature and the public.

An Accountability Framework

2.14 The word "accountability" is defined as the obligation to answer for a responsibility conferred. It is much more than acting responsibly for the administration of funds, it is providing the necessary information to demonstrate good stewardship. The University currently does not produce an accountability report to the Legislative Assembly. This type of performance reporting requires the establishment of an accountability framework.

2.15 An accountability framework provides for the evaluation of performance against stated objectives. It includes clearly defined reporting relationships and responsibilities. The framework should recognize the autonomy of the University and that it is an institution of higher learning dedicated to teaching and research. Because it is self-governing, the ultimate responsibility for ensuring an appropriate framework is developed rests with the Board of Governors.

2.16 Last year the University received $20 million from the Province, $10 million from students, $15 million from fund raising, research grants and other sources, and almost $8 million was received from the other Atlantic provinces for the Atlantic Veterinary College. The public is entrusting governance and managerial responsibility for these significant public funds and should be provided with accountability information. It is not enough to provide government with financial and other information as requested because there are many other stakeholders of the University: the taxpayers who help fund the institution; the students and parents who contribute to tuition fees; alumni, research funding agencies, and donors who contribute funds; and society in general who benefit economically, culturally and socially from the University. The public has the right to know what the University is doing, why they are doing it, and whether it is being done well.

2.17 Having established that the University has a duty to report to the public, the questions then center around what the University is accountable for and what type of information should be reported. A framework for reporting on University performance requires a number of elements:

- clearly stated mission and objectives of the University;
- plans detailing results or outcomes to be achieved;
- performance measurement against plans;
- reporting on actual performance compared to original results expected.

2.18 The University should be held accountable for the mission it has determined for itself within the broad mandate provided under the University Act. As part of its strategic plan *Charting Our Future*, the following mission was documented for the University.

> "*The University of Prince Edward Island, founded on the tradition of liberal education, exists to encourage and assist people to acquire the skills, knowledge, and understanding necessary for critical and creative thinking, and thus prepare them to contribute to their own betterment and that of society through the development of their full potential.*
>
> *To accomplish these ends, the University is a community of scholars whose primary tasks are to teach, to learn, to engage in scholarship and research, and to offer service for the benefit of our Island and beyond.*"

2.19 A mission statement provides the basis for accountability. This means that it should include or be accompanied by sufficient detail to assess performance. Although universities are similar and share common values such as academic freedom and autonomy and have similar broad objectives such as teaching and research, they have many differences. In the case of UPEI, the mission statement has not been further interpreted to indicate the unique character of the University. For example, the mission statement should be expanded to include clearly documented objectives regarding issues such as UPEI's approach to accessibility, the balance between research and teaching, the program mix, the core academic programs, and the mix of graduate and undergraduate programs.

2.20 This does not mean that the University is not dealing with these issues. There is a lot of discussion and planning around these objectives, however, many decisions have yet to be made in a number of areas. For example, the University has indicated an interest in increasing international recruitment. In addition, one of the recommendations arising out of *Charting Our Future* was the development of an enrolment management plan. Such a plan would deal with recruitment, admission and retention of students. Although some work has been done in this area, a plan has not been developed and approved.

2.21 The mission and accompanying objectives need to be translated into plans covering all the organizational units of the University. The plans should be clear on the results or outcomes to be achieved. We noted that the Atlantic Veterinary College has its own strategic plan and business plan, and performance expectations have been defined in some areas.

2.22 Actual performance should be reported in relation to the original expected results. Information should be sufficient to indicate the extent of achievement. This comparative reporting provides a basis for adjustments. Adjustments may be required to improve performance or alternatively to reconsider original performance expectations. In other words, variances in performance have to be assessed and analyzed to determine why performance did not reach original expectations.

2.23 It is expected that accountability reporting would occur at various levels of the University, and the level of detail will change as accountability is demonstrated from the activities of teaching and research up through the system to the Legislative Assembly. The information and reporting requirements at each level will be different but information obtained by one level will be used by another. Coordination will be required to make sure that the information is aggregated to an appropriate level for public reporting.

2.24 In summary, an accountability framework must include a number of key elements; a clear mission, including objectives that are sufficiently detailed to indicate the unique nature of the University of Prince Edward Island. The mission should be supported by plans, which document expected results. Actual performance should be measured and compared to expected performance. Variances should be noted, explained and used to make appropriate adjustments to plans or performance. Information reported should be complete, reliable, and relevant.

2.25 Our audit revealed that an accountability framework is currently not in place at the University of Prince Edward Island. The University needs to organize itself to approve, develop and implement a framework for accountability reporting. This cannot be accomplished overnight. Initially, there may be gaps and deficiencies in the reporting, however, it is important to get the process started. When the process is underway the public accountability report should be periodically subject to an objective external audit. This would add credibility to the information and strengthen the accountability to the public.

2.26 The decisions that have to be taken to move this process forward involve the senior management and governing bodies of the University. They include strategic and policy issues. As auditors, we can point out the desirable elements of an accountability framework, but decisions on objectives, performance expectations, and the performance information have to be made by the University.

2.27 Many argue that the preparation of annual reports is a waste of time. For many annual reports this may be true, but annual reports that report on performance are a key element in an accountability relationship. The discipline of having to report in itself enhances accountability. In my view, an annual report on performance is required for an institution as important as the University is to the public of PEI. In fairness to the University and to the public the report is supposed to inform, such a report should be subject to a thorough review and discussion by the Legislative Assembly. This can easily be accomplished by referring the University's annual report, after tabling, to a Committee of the Legislature. This Committee should extend the University the opportunity to meet with the Committee on the report. In turn, the Committee could question the University and others it chooses to call before the Committee. In my view this would ensure the University receives the attention it deserves and would enhance the accountability to the public.

Recommendations

2.28 The University should establish an accountability framework for public accountability reporting. It should include: a mission statement with clear objectives; clearly stated performance expectations; performance information compared to results expected; and a public accountability report.

2.29 The University Act should be amended to require the University to include performance information in its annual report.

2.30 Performance information in the University's annual report should be subject to periodic audit.

2.31 The University's annual report on performance should be referred, after tabling in the Legislative Assembly, to a Committee of the Legislature to provide an opportunity for the University to explain the report, and Members to deliberate and ask questions of the University regarding the report.

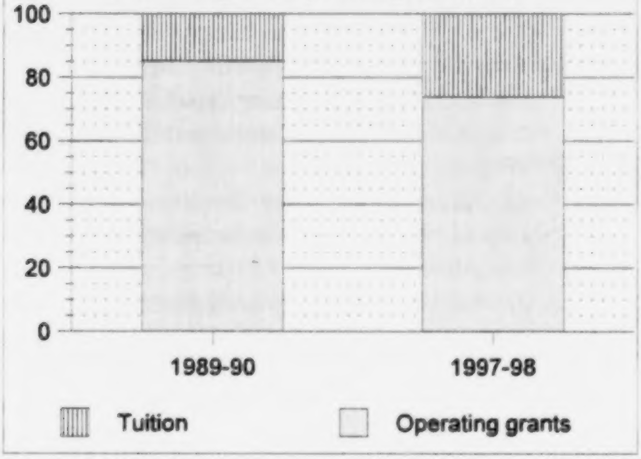
3. BACKGROUND FINANCIAL INFORMATION

Funding

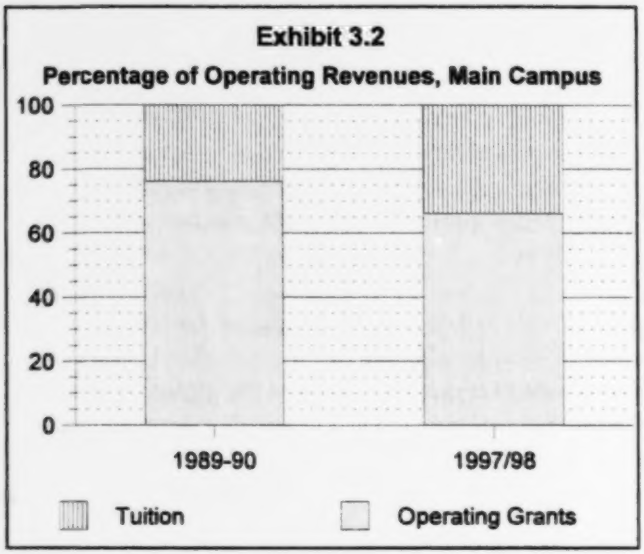
3.1 Provincial operating grants and tuition fees are the two major sources of operating revenues for universities. From 1989-90 to 1997-98, there has been a slight shift in the relative share of these two sources of revenue in relation to the operating income of UPEI as indicated in Exhibit 3.1 below. These figures include both the Main Campus and the Atlantic Veterinary College but exclude revenues other than tuition or grants from provinces.

Exhibit 3.1

Percentage of Operating Revenues



3.2 The percentage of general operating income provided from provincial sources has declined from 85 percent in 1989-90 to 74 percent in 1997-98. Tuition has increased during the same period from 15 percent of general operating income to 26 percent or from $4.6 million to $10.1 million. The change in Main Campus only is shown in Exhibit 3.2. Excluding the Atlantic Veterinary College the percentage of general operating income provided from provincial sources declined from 76 percent in 1989-90 to 66 percent in 1997-98. Tuition for the Main Campus for the same period increased from 24 percent to 34 percent of operating income.

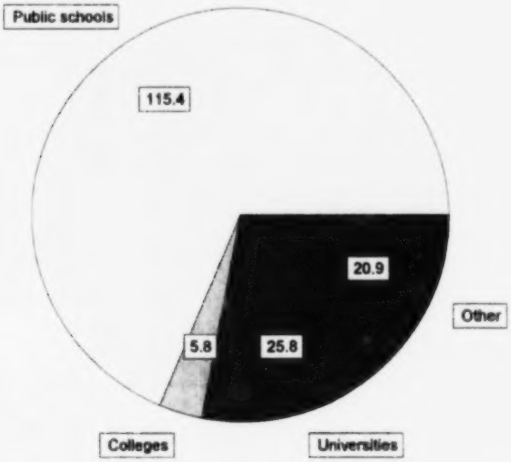


3.3 The Canadian Association of University Business Officials (CAUBO) annual report indicates that in fiscal year 1996-97, the provincial grants as a source of revenue in support of the UPEI general operating budgets represented 75.5 percent of total revenues, with the corresponding figure for the Atlantic Region being 65.1 percent and for Canada 66.9 percent. The calculation for UPEI includes the Atlantic Veterinary College which includes grants from the other three Atlantic Provinces.

3.4 Within Prince Edward Island, a review of the provincial budget indicates the education budget was 22 percent of the provincial budget in both 1989-90 and 1997-98, although the amount increased by approximately $22 million. Of course, the provincial budget has had to accommodate other demands as well as those of education. Some indication of these pressures can be gained by examining the changing relationships of some of the major public sector components over the period. The provincial budget increased by $147 million or 22 percent during the eight year period. Health and Social Services increased by 34 percent, while Education increased by 15 percent.

3.5 Another aspect of funding is the apportionment of the education budget among the public schools system, community colleges and universities. The following exhibit shows the expenditures for each major sector within the education system. The relative share of the total education budget by each sector has remained approximately the same for the last 10 years.

Exhibit 3.3
Distribution of Education Budget ($ Millions)
1997/98



3.6 The total funding to each sector as indicated above does not tell the whole story. Enrolments on Prince Edward Island in elementary and secondary schools have not changed while they increased at UPEI. The relative operational funding to each is illustrated in Exhibit 3.4. The funding per student in the public school system has increased by $1,190 or 37 percent while the funding per university student has increased by $1,489 or 16 percent.

Exhibit 3.4
Funding to Public School System and UPEI
Excludes Capital Grants

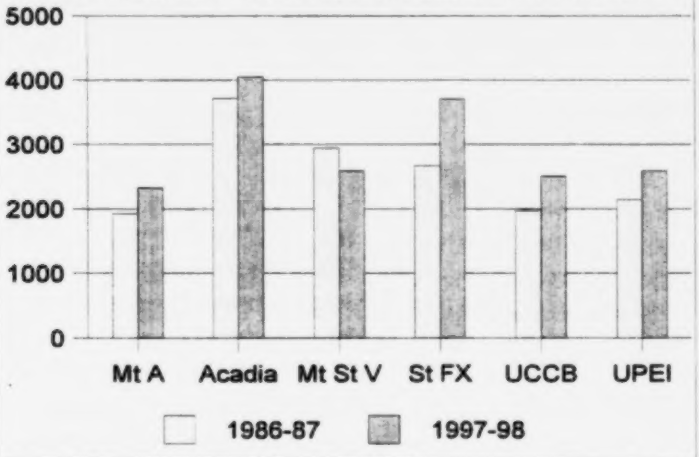
	Public		UPEI	
	1987-88	1997-98	1987-88	1997-98
Funding (millions)	$78.5	$107.7	$21.1	$28.2
Enrolments (FTE)	24,638	24,613	2,244	2,589
Funding per student	$3,186	$4,376	$9,403	$10,892

3.7 The operating grant for the UPEI Main Campus in 1987-88 was $11.8 million and in 1997-98 it was $14.9 million, an increase of 26.3 percent. During the same time frame total revenue from student fees for the Main Campus went from $3.5 million to $8 million, an increase of 128.6 percent. Individual tuition fees per Main Campus course went from $156 to $315 which was an increase of 101.9 percent. During this same period the consumer price index rose by 33.1 percent.

3.8 The FTE student numbers increased at UPEI from 2,244 to 2,589 or 15 percent during the 10 year period ending 1997-98. A peak enrolment occurred in 1992-93 of 2,985. The combined increase at all maritime universities was 21 percent. Maritime universities of similar size to UPEI had increases during a similar period as indicated in Exhibit 3.5.

Exhibit 3.5

FTE Enrolments - Universities Similar in Size to UPEI



3.9 Attendance at post secondary education institutions is a voluntary matter but it is clear there are two main beneficiaries: the student and society. Studies have shown that those who have received a post-secondary education have a greater earning potential over those who have not. Some of the individual economic benefits associated with a university education include: lower unemployment rate, higher occupational level, higher annual average earnings, and higher life earnings. In Canada, the wage differential for university trained workers over high school graduates was about 40 precent higher throughout the 1980s.

University Comparisons

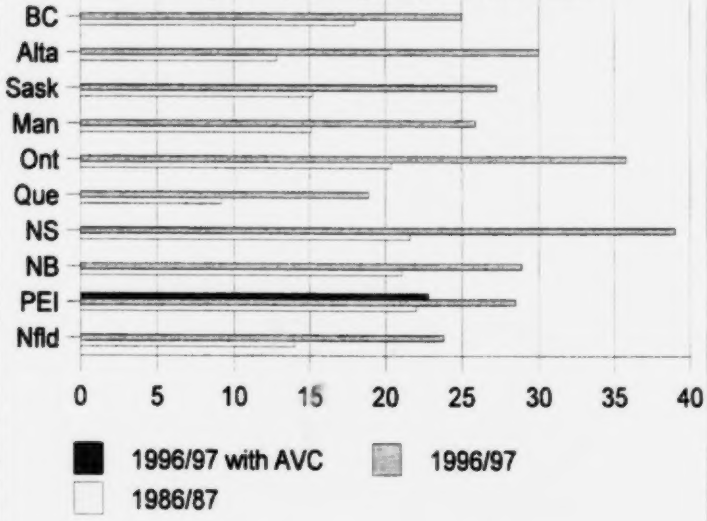
3.10 We reviewed the 1996-97 annual report of the Canadian Association of University Business Officers (CAUBO). This was the most current information available for comparison purposes. The information is presented to provide some useful background information for assessing the trends and comparisons among universities. This is useful information but further analysis would be required by the University to determine what factors are causing any major variances between UPEI and other universities. Identification of these factors have to be determined by the University and are beyond the scope of this report.

Revenues

3.11 The proportion of provincial funding to universities in Canada has shifted in relation to tuition revenues as revealed in our review of CAUBO annual reports. For example in 1986/87 the funding to all Canadian universities by provinces represented 81 percent of general operating income while tuition fees accounted for 16 percent. In 1996/97, 67 percent of operating income came from provincial sources and tuition was 29 percent. A comparison of the changes by province in the percentage of tuition revenues over the ten year period ended 1996/97 is shown in Exhibit 3.6. The PEI percentage is shown with and without the Atlantic Veterinary College.

Exhibit 3.6

Percentage of Operating Income From Tuition



CAUBO Annual Report

3.12 The CAUBO annual reports were reviewed to compare UPEI's sources of revenues to other similarly sized Maritime universities with the results shown in Exhibit 3.7. The University of PEI is shown excluding the Atlantic Veterinary College. The University of PEI had the highest percentage of funding from provincial sources at 69 percent. For 1997-98 this percentage has decreased to 66 percent.

Exhibit 3.7

Funding Sources and Enrolments

	UPEI	Acadia	Mt. SV	Mt. A	UCCB	St. FX
Provincial*	69%	52%	57%	58%	51%	52%
Tuition*	29%	47%	43%	38%	44%	46%
Other*	2%	1%		4%	5%	2%
Total Operating Income ($ millions)	25.3	35.4	22.3	23.4	22.6	27.4
Annual Tuition						
1996/97	2,920	3,670	3,355	3,665	3,210	3,500
1997/98	3,150	3,855	3,550	3,850	3,435	3,775
1998/99	3,310					

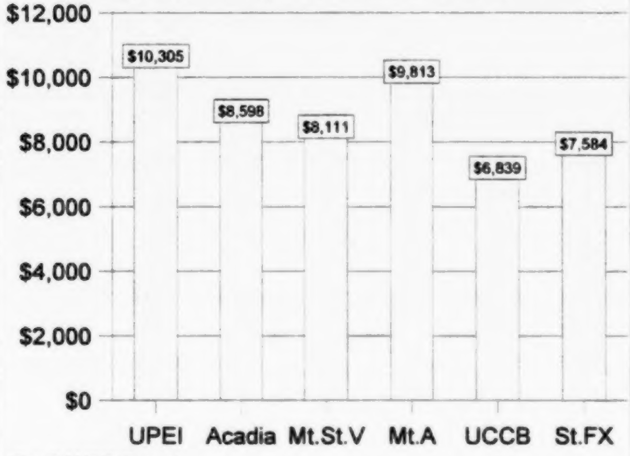
*CAUBO 1996/97 Annual Report

3.13 The above exhibit also shows total operating incomes of these six universities. A comparison of 1995/96 to 1996/97 CAUBO data indicates that total operating income, for these six universities, has increased by 3.3 percent. They all experienced an increase with UPEI having the largest at 6.9 percent, excluding the Atlantic Veterinary College.

3.14 Average enrolments by university were used to calculate the amount of operating income per FTE student. The University of PEI excludes the Atlantic Veterinary College. As indicated in Exhibit 3.8, UPEI had the highest amount of operating income per FTE student at $10,305. We noted that UCCB and St. Francis Xavier were the only universities to show increased enrolments and they also had the lowest amount of operating income per FTE.

Exhibit 3.8

Average Operating Income Per FTE Student



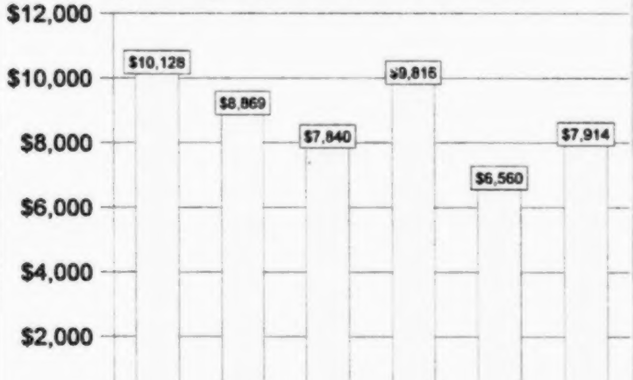
Per CAUBO Report

Expenditure Comparisons

3.15 We compared the expenditure data UPEI reported to CAUBO, excluding the Atlantic Veterinary College, for the years 1995/96 and 1996/97 to other small Maritime universities. The average enrolments used in Exhibit 3.8 were again used to compute an average operating expenditure per student as described in Exhibit 3.9.

Exhibit 3.9

Operating Expenditure Per Student

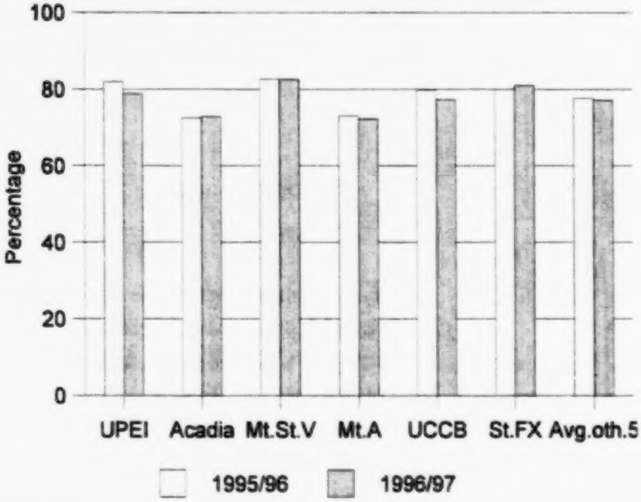


Per CAUBO Report

3.16 The CAUBO reports were also used to calculate salaries as a percentage of general operating expenditures, excluding the Atlantic Veterinary College which is described in Exhibit 3.10. The University of PEI is similar to the average of the other five universities. For example, the average salary percentage of the other five universities has gone from 77.6 percent in 1995/96 to 77.2 percent in 1996/97 while UPEI's salary percentage was 79 percent in 1996/97, a reduction of 3 percent from 1995/96.

Exhibit 3.10

Salaries as a Percentage of Total General Operating Expenditures (UPEI Excludes AVC)

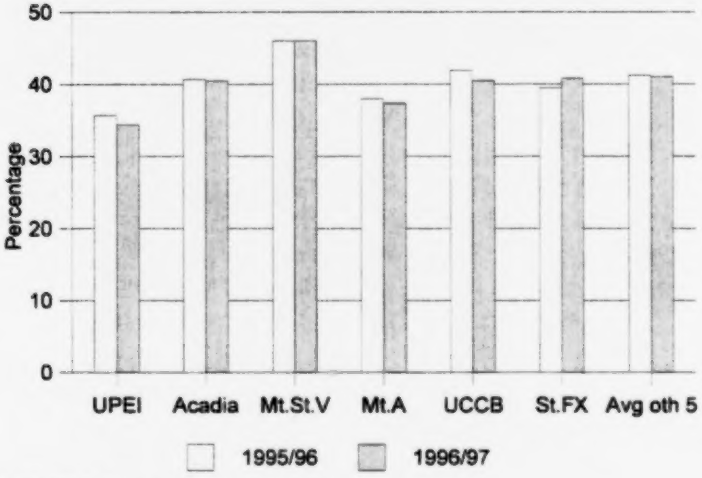


Per CAUBO Report

3.17 The instructional salary costs were also compared. Exhibit 3.11 indicates the percentage of general operating expenditures paid for instructional purposes, excluding the Atlantic Veterinary College. The average of 1995/96 and 1996/97 for UPEI is 35 percent while the other five universities have an average of 41 percent. There is significant variation among the other universities with Mount St. Vincent paying 46 percent in 1996/97 for instructional purposes while UPEI had the lowest at 34.4 percent in 1996/97.

Exhibit 3.11

Instructional Salaries as a Percentage of General Operating Expenditures



Per CAUBO Report

3.18 Another method of comparing instructional salaries is to compare the average salary paid for comparable teaching positions among universities. We obtained 1996/97 average salary levels for full-time teaching positions from the Culture, Tourism, and the Centre for Education Statistics June 1997 Report. It summarizes the results of annual surveys among universities and colleges. The sixteen universities or colleges who reported from the Atlantic region are summarized in Exhibit 3.12. The report includes AVC with the UPEI statistics.

Exhibit 3.12
Teaching Salary Comparisons
1996/97

	Professors	Associates	Assistants
University St. Anne	60,451	51,921	40,118
University College of Cape Breton	62,052	48,748	37,544
Nova Scotia College of Art & Design	63,455	55,458	44,699
University of King's College	75,629		44,064
St. Francis Xavier University	72,033	55,851	43,622
Mount St. Vincent University	71,403	59,078	47,769
Nova Scotia Agricultural College	64,189	56,830	
St. Mary's University	75,255	58,110	46,401
Acadia University	76,094	61,528	46,688
Memorial University of Newfoundland	73,647	60,332	47,440
University of Prince Edward Island	**76,723**	**66,480**	**51,636**
Mount Allison University	74,349	62,740	42,530
University of Moncton	74,830	61,196	48,383
Dalhousie University	80,343	68,003	58,339
Technical University of Nova Scotia	81,135	60,074	53,362
University of New Brunswick	83,618	65,760	50,737

Source: Culture, Tourism and the Centre for Education Statistics

3.19 According to salary schedules attached to the agreement between the UPEI Board of Governors and the UPEI Faculty Association, the current salary ranges are as follows: professor \$63,613-\$82,893; associate professor \$51,685-\$75,785; and assistant professor \$39,758-\$57,110.

4. FINANCIAL CONTROL AND BUDGETING

Introduction

4.1 The financial statements of the University have been audited by a private sector firm of Chartered Accountants. These financial statements show the total revenue of the University was $53.5 million for the year ended April 30, 1998. Total expenditures for the same period were $49.1 million, leaving a net excess of revenue over expenditure for the year of $4.4 million. Revenues and expenditures for the Main Campus operations were $28.8 million and $26.2 million respectively for the year, while for the Atlantic Veterinary College operations the revenues and expenditures were $18.7 million and $17.1 million respectively. Exhibit 4.1 shows a summary of the Statement of Operations for the past two years. The fund balances increased from a total of $12.6 million as at April 30, 1997 to a total of $17.3 million as at April 30, 1998. This increase resulted from an excess of revenue over expenditure of $4.4 million plus endowment contributions of about $0.3 million. A summary of changes in fund balances from April 30, 1997 to April 30, 1998 is shown in Exhibit 4.2. A summary of financial position as at April 30, 1998 is shown in Exhibit 4.3.

Exhibit 4.1
Summary Statement of Operations
Year Ended April 30, 1998
(Millions)

	Operating	Research	Pension	Capital Assets	Endow-ments	1998 Total	1997 Total
Revenue							
Operating grants	$28.4	-	-	-	-	$28.4	$29.3
Restricted grants	-	$2.2	-	$0.1	-	$2.3	1.7
Early retirement grant	-	-	-	-	-	-	1.0
Amortization of deferred revenue	-	-	-	2.0	-	2.0	1.7
Student fees	9.0	-	-	-	-	9.0	8.0
Foreign seat fees	1.2	-	-	-	-	1.2	0.9
Ancillaries	4.0	-	-	-	-	4.0	3.6
Sales and service	3.4	-	-	-	-	3.4	3.4
Pension	-	-	1.5	-	-	1.5	-
Investment income	0.8	-	-	0.1	-	0.9	0.9
Donations	-	-	-	0.1	-	0.1	0.1
Miscellaneous	0.7	-	-	-	-	0.7	0.6
	47.5	2.2	1.5	2.3	-	53.5	51.2
Expenditure							
Salaries and benefits	30.4	1.0	-	-	-	31.4	31.1
Early retirement grant	-	-	-	-	-	-	2.4
Supplies	5.6	0.8	-	0.1	-	6.5	5.8
Depreciation	-	-	-	3.3	-	3.3	3.0
Other	1.3	-	-	-	-	1.3	1.3
Utilities	2.1	-	-	-	-	2.1	1.8
Travel	0.7	0.3	-	-	-	1.0	1.0
Repairs and maintenance	1.0	-	-	-	-	1.0	1.2
Professional fees	0.9	0.2	-	-	-	1.1	0.9
Scholarships	0.7	-	-	-	-	0.7	0.7
Interest	-	-	-	0.3	-	0.3	0.3
Advertising	0.3	-	-	-	-	0.3	0.2
Insurance	0.1	-	-	-	-	0.1	0.1
	43.1	2.3	-	3.7	-	49.1	49.8
Excess of Revenue before inter-fund transfers	$4.4	($0.1)	$1.5	($1.4)		$4.4	$1.4

Exhibit 4.2
Summary of Changes in
Fund Balances as at April 30, 1998
(Millions)

	Operating	Research	Pension	Capital Assets	Endow-ment	Total
Beginning Balances	$1.2	$ -	$ -	$6.8	$4.6	$12.6
Excesses Revenue	4.4	(0.1)	1.5	(1.4)	-	4.4
Endowment	-	-	-	-	0.3	0.3
Inter-Fund Transfers						
Equipment	(1.0)	(0.2)	-	1.2	-	-
Library Materials	(0.9)	-	-	0.9	-	-
Renovations	(0.7)	-	-	0.7	-	-
Principal Debt	(0.1)	-	-	0.1	-	-
Internal Financing	(1.0)	-	-	1.0	-	-
Research	(0.3)	0.3	-	-	-	-
Interest	(0.2)	-	-	0.2	-	-
Ending Balances	$1.4	$0.0	$1.5	$9.5	$4.9	$17.3

Exhibit 4.3
Summary of Financial Position
as at April 30, 1998
(Millions)

	Operating	Research	Pension	Capital Assets	Endow-ment	Total
Assets	$10.5	$2.1	$1.5	$69.6	$4.9	$ 88.6
Liabilities	(5.8)	-	-	(5.1)	-	(10.9)
Deferred Revenue	(3.3)	(2.1)	-	(55.0)	-	(60.4)
Fund Balances	$ 1.4	$0.0	$1.5	$ 9.5	$4.9	$17.3

4.2 The total revenue of the Atlantic Veterinary College was $18.7 million and approximately $12.7 million of this was contributed under the Atlantic Provinces Interprovincial Agreement. For the year ended April 30, 1998, PEI contributed $5.1 million, Nova Scotia $3.9 million, New Brunswick $3.2 million and Newfoundland $.5 million. The remainder of the revenue consisted mainly of tuition fees and sales and services.

4.3 The financial statements were prepared using the new accounting standards for Not-for-Profit Organizations issued by the Canadian Institute of Chartered Accountants. This is a change from previous years and makes it difficult to compare the financial information over a multi-year period. The University follows accounting procedures known as fund accounting which result in a self-balancing set of accounts for each fund of an organization. UPEI has established five funds which are as follows:

- Revenues and expenditures related to program delivery and administrative activities are reported in the Operating Fund;
- Revenues and expenditures related to research are reported in the Research Fund;
- Assets, liabilities, revenues and expenditures related to the University's capital assets are reported in the Capital Assets Fund;
- Endowment contributions are reported in the Endowment Fund; and
- Revenues and expenditures related to pension activities are recorded in the Pension Fund.

4.4 The changes in accounting policies have been applied retroactively except for the pension fund where they have been applied prospectively. The major changes resulting from applying accounting standards for Not-for-Profit Organizations were to account for revenue using the deferral method of accounting, to amortize the cost of capital assets and to record the pension plan.

4.5 The Comptroller has responsibility for preparing financial and budget information. The Comptroller reports to the Vice-President of Finance and Facilities. The budget is presented to the Board of Governors in the spring and audited financial statements are presented in the fall.

4.6 We reviewed the management practices in place to determine whether appropriate systems of financial controls and budgeting are in place to ensure assets are safeguarded, and revenues are properly controlled. As part of our examination we interviewed the Vice-President of Finance and Facilities, Comptroller, and the Purchasing Manager. We also reviewed the budgeting process and the purchasing processes and policies. We relied on the work of the external financial statement auditor for assurance that the financial information was fairly presented and that adequate systems of control were in place at the University.

Budget Process

4.7 The annual budget process starts with the call for base budgets. This request is sent to Deans, Chairs, Coordinators of Academic Programs, Directors and Heads of Support Departments. This requires each section to include all costs to maintain activities at previous levels plus known cost increases. Each section's base budget is submitted to the Vice President of Finance and Faculties who reports the results to the Senior Management Group and the information is assimilated into an adjusted base budget. The Senior Management Group provides direction to the Deans and Directors and they, in consultation with the department chairs, prepare the Stage 2 budget. Ultimately the President makes the budget decisions after input from the Senior Management Group. Budget information is presented to the Finance Committee of the Board as it develops. The budget is recommended to the Board of Governors by the Finance Committee for approval. There has also been the practice over the past three years of presenting budget overviews to the Minister of Education, the Senate and the Student Union.

4.8 The budget information for 1997-98 presented to the Board of Governors for approval did not include all of the expected revenues and expenditures.

- Revenue which is received from the Maritime Provinces Higher Education Commission for Alterations and Renovations and non space equipment is not included, nor are the related expenditures budgeted. This amounted to $940,000 in 1997-98.
- Employee benefits continued at previous levels although a pension holiday was declared. This meant the budget for employee benefits expenditures was overstated by $1.2 million. This was ultimately used to reduce long-term debt and carry out renovations.
- The budget included about $700,000 for contingencies in the AVC accounts which are in effect unexpended amounts from previous years that are carried forward. We would have expected that the Departments would have identified the specific expenditures where these amounts were to be used, so the Board of Governors could approve the budget based on complete information.
- Supplies for the University were originally budgeted at $460,000 and more than $1 million was expended. The difference is attributable to additional alterations and renovations to Memorial and Dalton Halls which should have been identified in the budget.

Recommendation

4.9 Budget information presented to the Board of Governors should include all expected revenues and expenditures.

Budgetary Control

4.10 The budget approved by the Board of Governor's for 1997-98 included operating expenditures of $41 million while the actual expenditures were $43 million. Similar differences occurred in the past. The reasons for the differences relate to offsetting revenues for certain funds such as those received from the Maritime Provinces Higher Education Committee for alterations and renovations. In the past, the Board of Governors has not been provided with a reconciliation of the differences between the budget they approve and the actual expenditures. According to the Comptroller a reconciliation will be provided starting this year, at the same time as the financial statements are presented to the Board for approval. Some Board members indicated that they do not receive sufficient information on actual expenditures compared to budget.

4.11 The University maintains a number of funds in addition to the Operating Fund. These include the Endowment Fund, Research Fund, the Capital Assets Fund, and the Pension Fund. The Endowment Fund has a balance of $5 million and is used for scholarships and awards. The Research Fund is used for research activities and has a balance of $2.1 million. The Capital Assets Fund includes buildings, contents, and Library materials at a cost of $118 million and a net fund balance of $9.6 million. The balance of the Pension Fund was $1.5 million at year end. The expenditures for these funds are administered by the Accounting Office. The policies on the administration of some of these funds are inadequate. For example, in the area of scholarships, the roles of the Accounting Office; the Alumni Development and Public Relations Department; the Admissions, Scholarships, and Degrees Committee of the Senate; the Registrars Office; and the AVC Awards Committee need to be clearly defined to ensure the Endowment Trust Fund is properly administered.

Recommendations

4.12 A reconciliation which explains the variances between actual expenditures and the budgeted amounts approved by the Board of Governors should be prepared and presented to the Board when the financial statements are presented for approval.

4.13 Departments should provide a summary of budgeted and actual expenditures, with an explanation of the differences, to the Comptrollers Office. These should be summarized and reported to the Board of Governors.

4.14 Policies should be developed and approved for the administration of the various Funds.

Purchasing

4.15 The University uses a central purchasing department which is responsible for all goods acquired for the University except the Bookstore and the Library. Departments requisition their goods which are forwarded to purchasing and a purchase order is prepared. The Purchasing Manager provided us with policies which they normally follow. However, we were informed that these have not been approved.

4.16 Goods over $5,000 are normally tendered which includes open bidding and public tender openings. The Purchasing Department awards tenders based on the lowest price as long as the specifications match. They voluntarily follow the Maritime Procurement Agreement which requires that all goods more than $25,000, services over $50,000, and construction over $100,000 are publicly tendered. In 1997-98, they tendered $1.4 million in purchases. For goods less than $5,000 they invite quotes from at least three suppliers.

4.17 Goods and services amounting to approximately $400,000 are purchased from sole source vendors. These include publication and scientific supply companies.

4.18 They also use the Inter-University Services Inc. which purchases products for the Maritime universities collectively for supplies which are common to all. These include: paper, cleaning supplies, courier services, electrical supplies, linens, and photocopiers. In 1997-98 the University purchased approximately $720,000 through this entity.

Recommendation

4.19 Purchasing policies should be formally approved by the Board of Governors.

5. PLANNING

Strategic Plan

5.1 The University undertook a comprehensive strategic planning process in 1994-95. Consultants were hired to conduct an assessment which was used as input in the development of a strategic plan entitled, *Charting Our Future*. There was extensive participation in the strategic planning process and development of the plan.

5.2 The plan included a mission statement for the University. It also identified ten strategic issues and made several recommendations for plans to be developed to address some of these issues. For example, the following recommendations were made:

- to develop a plan to improve the organizational structure of the University;
- to adopt and review an academic programming plan;
- to develop a 5-10 year planning process for resource allocation;
- to develop a plan for regional cooperation; and
- to develop and implement an enrolment management plan.

5.3 In response to the first of these strategic issues, an Organizational Review Committee was formed to prepare a plan to improve the organization structure of the University. In 1996 their report entitled, *Living with Paradox*, was issued. It contained a number of recommendations to initiate the process of organizational change.

5.4 *Charting Our Future* contains the University's blueprint for taking action on a number of strategic issues. We were informed that there was no official approval by the Board but that the Board had actively participated in the development of the plan. The *Living With Paradox* report recommended significant changes to the organizational structure of UPEI. Although the report was widely communicated, it was not formally approved by the Board of Governors. It is important that long-term plans be approved by the Board of Governors so that the direction for the University is clear and formally endorsed.

5.5 *Charting Our Future* in conjunction with the *Living With Paradox* report focused attention on the areas of priority critical to the University. In conjunction with the *Coles/Weir* Report, it provided a base from which these critical areas could be addressed to move forward. A lot of change has taken place at the University in the past three years. We were informed that each year since these reports were presented, a document has been prepared outlining what action has been taken and what remains to be done to deal with the issues arising from these reports. Action has been taken on many recommendations in these reports, however, this work is on-going and there are a number of areas where recommendations are still outstanding, for example:

- development of an enrolment management plan;
- development of an academic programming plan; and
- development of policies and procedures governing accountability.

5.6 We were provided with notes on the progress to date on achievement of the goals in the strategic plan, however, it is not clear from our review of the Board of Governors minutes that these were presented to the Board. The nature of planning is that a plan is seldom fully implemented as initially described because new information is obtained resulting in the need for revisions and reprioritizing of strategies. It was not clear if revisions to goals documented in the plan were presented to the Board.

Annual Planning

5.7 It is evident that planning occurs at several organizational levels within the University, with input from various groups. The bicameral structure of the University with the Board of Governors having operational responsibility and the Senate having academic responsibility results in the need for coordination in planning. In 1996-97, the Board of Governors established a Policy and Planning Committee with a view to considering broad issues impacting the University such as:

- future direction of the University;
- how best to bring about change;
- how to communicate better both within the University community and externally;
- how to give better service in a flexible system even with reduced levels of support;
- how to make best use of new technology; and
- how to respond in sufficient time to obstacles and opportunities.

5.8 Consideration of these types of issues is necessary in formulating and revising strategies. We were advised that the Committee has not focused on these broader issues to date and the Board is aware that this needs to be addressed.

5.9 The Senate is responsible for determining the academic policy of the University. They have a major role in planning at the University. The Senate Curriculum, Course Changes, and Calendar Committee approves changes to academic courses. The Academic Review and Planning Committee of the Senate is mandated to recommend to Senate academic directions, policies and strategies that create a pattern of academic programs consistent with the declared mission of the University. This Committee is very active and has a very influential role in setting the academic direction of the University.

5.10 The Senior Management Group consisting of the President, the Vice-Presidents, and the six Deans, has a key role in planning. It acts as the budget committee and advises the President on numerous issues affecting the University. A planning retreat is held each year which focuses on University planning at a high level, however, the discussions held and decisions made are not summarized into a planning document.

5.11 Each of these structures, committees and groups has a role in the planning which must be coordinated and monitored to ensure that the goals and objectives pursued are congruent among the faculties and governing bodies to ensure a clear, integrated focus for the University.

5.12 Detailed budget discussions are held by the Senior Management Group. The President submits a budget to the Finance Committee for their review. It is then submitted to the full Board for approval. In conjunction with this process the University needs a documented operational plan that flows from the strategic direction and provides performance expectations for the current period.

Recommendations

5.13 We recommend that strategic plans be formally approved by the Board of Governors and documented in the Board minutes.

5.14 Each year a report should be prepared and presented to the Board of Governors on any changes to the strategic plan and the progress achieved in relation to the strategic issues and goals established in the strategic plan.

5.15 The University should prepare an operational plan that links strategic objectives to the annual budget.

6. HUMAN RESOURCES

Introduction

6.1 The University employs over 600 faculty and staff at a cost of approximately $30 million which includes salary and benefits. This represents nearly 70 percent of the operating fund expenditures of the University. The Human Resources Department is responsible for human resource management including: contract administration, pension administration, position classification, salary administration, employee benefit administration, and assisting with recruitment and selection of non-faculty staff. The Human Resources Department is not directly involved in the hiring of faculty which is the responsibility of the academic departments, however, they assist with the recruitment of faculty when requested. The Director of Human Resources reports to the Vice-President of Finance and Facilities. A distribution of staff is included as Exhibit 6.1.

Exhibit 6.1
Distribution of Staff

	Full-Time Faculty	Non-Faculty	Total
Arts	64	18	82
Science	40	13	53
Atlantic Veterinary College	62	143	205
School of Business	12	3	15
School of Nursing	8	8	16
Education	9	4	13
Registrars Office		11	11
Alumni and Development		8	8
Athletics and Physical Education		12	12
Audio Visual		9	9
Student Development		9	9
Comptroller		33	33
Security		15	15
Computer Services		16	16
Physical Plant		54	54
Library		26	26
Other		36	36
Total	195	418	613

6.2 The mission of the Department is stated as follows: "The Human Resources Department is committed to providing exemplary service and leadership in all areas of Human Resource Management. In doing so, the Human Resources Department supports the University of Prince Edward Island in creating and sustaining a highly qualified work force and work environment that will assist the University in fulfilling its mission of teaching, learning, scholarship, research, and services for the benefit of Prince Edward Island and beyond."

6.3 We reviewed the human resource management practices used at the University. Our review included the human resource planning processes, staffing procedures and the classification policy. We relied on the work of the external auditor for assurance that compensation arrangements were adequately controlled. We interviewed the Director of Human Resources, reviewed the collective agreements, reviewed the Faculty Handbook, and reviewed the work of the financial statement auditors as it relates to compensation arrangements.

Planning

6.4 Over the last few years the University has been dealing with a number of reports and plans which include; the *Coles/Weir* report, *Charting Our Future* strategic plan, and *Living with Paradox* organizational review. Each of these reports dealt with issues related to human resource management. Coles/Weir surveyed faculty who were aware of the strategic challenges facing UPEI including attracting qualified, committed individuals and renewing the faculty.

6.5 *Charting Our Future* identified a need for faculty/staff renewal by encouraging turnover; providing teaching enhancement opportunities for new faculty; and providing existing staff with opportunities to upgrade their skills, and to re-inspire, re-new and re-invigorate their enthusiasm on an ongoing basis.

6.6 *Living with Paradox* made a number of recommendations aimed at having the University focus attention on the appropriate management of its human resources. These included refocusing the human resource function, reviewing tenure and promotion procedures, creating up-to-date job descriptions with annual performance reviews and creating handbooks of policy and procedures.

6.7 The Human Resources Department has been implementing many of the directions in these reports over the last two years. Administration of insured benefits and pension have been relocated to the Department, the annual employment contract process is being phased out and new contracts will only be issued if a specified term comes to an end and a new contract is required or a new set of terms and conditions is negotiated. Efforts are continuing to determine practice and identify human resource policy, the development of employment contracts for all staff is being concentrated in the Department, space has been reorganized, staffing of the Human Resources Department has been improved and they have moved toward a single point of contact for employees for all their employment issues.

6.8 The next key steps identified for the Human Resources Department are to complete the concentration of employment contract responsibility in the Department and to complete the development of a human resource information system.

6.9 These initiatives will deal with many of the issues raised in the strategic planning processes. Two issues which are still outstanding from the planning processes are: the updating of out-of-date job descriptions and the development of an annual performance appraisal process. These issues are expected to be implemented by the Director when time permits but are not considered as urgent as the current changes being undertaken by the Department.

6.10 Formally approved human resource policies are important to ensure management's directions are clearly communicated to employees. There is no formally approved policy manual for the University. There is, however, an unapproved manual which was developed in 1993 and includes human resource policies related to recruitment, selection, hiring, orientation, conditions of employment, holidays, special leave, classification, employee development, discipline, and termination. This manual is used as one of the sources of information for human resource management issues.

6.11 The Director considers the primary source of human resource policy information to be the collective agreements with the various unions and the Faculty Handbook, the next source would be the unapproved policy manual. A policy project was established in November 1997 to compile institutional policies into a comprehensive registry of current and verified policy. The project members are currently taking an inventory of identifiable policies by category. The policies will then go through a verification or ratification process before they are incorporated into a database. Eventually these policies will be available electronically for general campus use.

6.12 The Director of Human Resources has indicated that an area which may require the development of policy would be the process to be used to fill faculty positions. The Director indicated that recommending faculty for hiring is the responsibility of the Deans and they indicate there are inconsistencies in the process. The Senior Management Group has requested that the Human Resources Department assist in developing guidelines to make the process more consistent.

Recommendations

6.13 Human resource policies should be collected, reviewed, approved, and communicated in conjunction with the development of the University policy project that is currently in process.

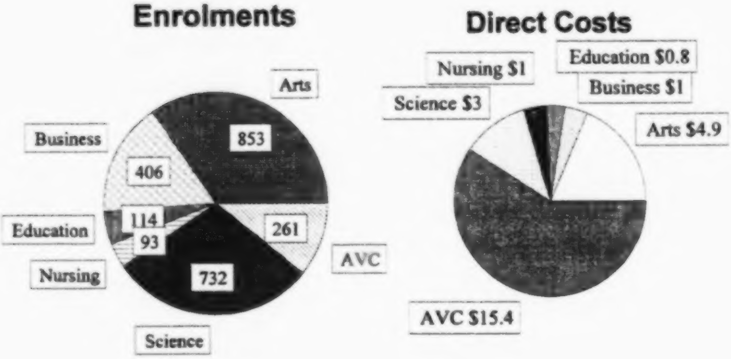
6.14 The Human Resources Department should develop guidelines to be used by Deans to guide the hiring of faculty.

7. ACADEMIC PROGRAMS

Introduction

7.1 Our audit of the University of Prince Edward Island included a review of the University's academic programs. Academic programs are delivered by four faculties: Arts, Science, Education and Veterinary Medicine, and two schools: Business Administration and Nursing. The direct expenditures of $26.1 million, which are 60 percent of the total operating fund expenditures are summarized in Exhibit 7.1. The exhibit also includes a breakdown of the total enrolment of 2,459 by each of the faculties and schools.

Exhibit 7.1
Enrollments and Direct Costs ($ millions), by Faculty
1997-98



7.2 Many of the decisions related to the operations of academic programs are impacted by the definition of academic freedom included in the Faculty Handbook which states:

> "The University accepts the principle of academic freedom as defined by the Canadian Association of University Teachers: Academic freedom includes the right within the University to decide who shall teach, who shall be taught, and what shall be studied, taught or published. Because a university's essential concerns are intellectual, academic freedom involves the right of appointment of staff or admission of students regardless of sex, religion, or politics. It involves the right to teach, investigate, and speculate, without deference to prescribed doctrine. It involves the right to participate in the formulation of academic policies and the right to criticize the university."

7.3 Our audit work focused on the processes used to plan, implement, monitor, evaluate and report on the delivery of academic programs. In general, we found that programs were delivered to the students as indicated in the University Calendar which outlines the academic policies for the University. There were many processes in place which are used to provide the necessary information to monitor and report on academic programs. These included: the process to plan academic programs, policies and procedures for self-studies, the faculty review process, and course evaluations. We reviewed those processes for the various faculties and found both strengths and weaknesses.

Audit Planning for Academic Programs

7.4 As part of our overall audit plan, a detailed audit program was developed specifically for the Academic Programs of the University. In order to achieve the audit objectives and to assess a representative sample of the Academic Programs, the Faculties of Arts and Science and the Atlantic Veterinary College (AVC) were selected for audit testing purposes. These faculties and college provided an acceptable level of coverage of both student population and University budget. The areas audited accounted for 75 percent of the student enrolment and 89 percent of the direct academic program costs.

7.5 Following is a brief overview of the AVC and the Faculties of Arts and Sciences.

The Atlantic Veterinary College

7.6 The AVC had an enrolment of 248 students (10.1 percent of the total student population) with direct expenditures of $15.4 million in 1997-98. The AVC includes the following Departments:

- Anatomy and Physiology;
- Companion Animals;
- Health Management; and
- Pathology and Microbiology.

It was decided to include all of the above Departments in our coverage.

Faculty of Science

7.7 The Faculty of Science had an enrollment of 732 students (30 percent of the total student population) with expenditures of $3 million in 1997-98. The Faculty of Science includes the following Departments:

- Biology;
- Chemistry;
- Engineering;
- Family and Nutritional Sciences;
- Mathematics and Computer Science; and

- Physics.

It was decided to include all of the above Departments in our audit coverage.

Faculty of Arts

7.8 The Faculty of Arts had an enrolment of 853 students (34.9 percent of the total student population) with expenditures of $4.9 million in 1997-98. Within the Faculty of Arts it was decided that the audit-testing sample would not include all of the Departments but would ensure an appropriate coverage of the student base and budget within the Faculty. The Departments included in our audit coverage were as follows:

- Economics;
- English;
- History;
- Music;
- Modern Languages;
- Psychology; and
- Sociology and Anthropology.

7.9 Our audit activities allowed us to conclude on the activities undertaken to manage and deliver the Academic Programs at the University of Prince Edward Island.

Goals and Objectives

7.10 We examined the goals and objectives within the Faculties of Arts and Science and the AVC.

7.11 Our audit objective was to determine whether goals and objectives are documented, approved at an appropriate level and communicated to staff. We were provided with a range of information which demonstrated varying levels of documentation and approval. There was a noticeable difference between the AVC and the two faculties of Arts and Science. For example:

- Goals and objectives are documented for each of the AVC's four departments. They are current and form part of the College's 1997 Self-Evaluation Report and five year Business Plan. It was reported that the goals and objectives were developed at the faculty level, approved at the Department level and ultimately approved by the Dean's Council. Upon approval by the Dean's Council, the goals and objectives were communicated to the faculty members. This process was confirmed through the minutes of the Dean's Council meetings.

- For the Faculty of Science as a whole, the only formal goals and objectives documented were found in the area of research. The documented research objectives were prepared by the faculty members, forwarded to the Deans Council of Chairs for approval, and then taken to the full faculty for approval. The minutes of the faculty meetings confirm this process.
- No goals and objectives are documented for the Faculty of Arts as a whole. It was reported that informal goals and objectives are developed and understood by faculty members. There was no documented evidence available to support this.
- Self-studies are required by policy to be completed by all Departments every five years. As part of this process the goals and objectives are to be updated. However, from our review, a significant number of the self-studies have not been performed every five years as required by policy.

7.12 The lack of goals and objectives can affect the University's capacity to implement its mandate and to adjust to changing circumstances. There is no evidence that this has occurred. However, with cutbacks in funding and the public's demand for greater accountability among public sector or quasi public sector organizations, the University must be in a position to provide information to justify the resources utilized. Further, without clear goals and objectives, there are no guidelines to help direct change, integrate ongoing activity, or monitor and report on performance.

Recommendation

7.13 The goals and objectives of the faculties of Arts and Sciences should be documented and approved at an appropriate level. In addition, goals and objectives should be reviewed annually to determine if they are being achieved.

7.14 An attempt was made to gather audit evidence to ensure the goals and objectives of each Faculty and School and the respective Departments are linked to the University's overall mandate and mission. Further, we wanted to gain evidence that the current programs and courses are operating within the approved mandate of the Faculty or the University. Our findings were as follows:

- Overall, information provided demonstrated that the goals and objectives of the departments within the faculties and the AVC can be linked to the University's mandate and mission. There are no indications to suggest that current programs, courses and research are not operating within the approved mandate of the University.
- The Academic and Review Planning Committee (ARPC) monitors programs, courses and research to ensure linkage to University mandate and mission. Minutes of ARPC meetings support their terms of reference.
- Minutes of the Senate, Dean's Council, Curriculum Committee, and Graduate Studies and Research Committee indicated they monitor programs as well as provide assurance that the University mandate is considered when discussions evolve around programs, courses and research.
- Minutes of Science faculty meetings show that faculty members are conscious of the need to have courses and programs operating within the approved mandate of the University.

7.15 Overall we found that the existing goals and objectives of the audited Faculties and Departments were appropriately linked to the University's mission and mandate.

Senate Policy on Self-Studies

7.16 All University departments are required to follow the Senate approved policy and procedures on self-studies, with the exception of the AVC, which develops its Departmental self-studies as part of the AVC self-evaluations and business plans for their accreditation and for the four Atlantic Canadian Provincial Governments. The American Veterinary Medical Association (AVMA) accreditation documents provide comprehensive guidelines to AVC for self-evaluations.

7.17 The documentation provided for the Senate policy requiring self-studies in all University departments evolved from a number of steps including:

- In 1987, the President requested that Senate approve a policy which would make it normal practice for each department (or unit) to conduct a self-study once every five years.
- In 1989, Senate approved the "Basic Procedural Stages" involved with the self-studies to serve as the guideline for the self-studies activity. The Basic Procedural Stages include:

- The Deans of each individual Faculty/School determine the schedules for their respective departments;
- The Department conducts a self-study according to the specifics of the form determined by Senate;
- Outside independent assessors will be selected by the individual Deans following consultation with the department concerned and with the knowledge and approval of the President, the outside assessors are normally department heads from similar departments and schools;
- The self-study will be discussed and reviewed by the associated Faculty staff. If the Faculty wish to support, reject or amend any of the recommendations contained in the self-study report or to add recommendations of its own, it should instruct the Dean to report the Faculty's views, together with any remarks of his/her own, in accompanying letter to the Senate;
- The completed self-study, together with the Dean's letter, shall be delivered to the Chair of the Senate for consideration by the Senate;
- The Chair of the Senate will circulate to the members of the Senate a summary list of the recommendations for action contained within the self-study and supported by the Faculty (or School); and
- The Chair of the Senate will forward a copy of each self-study together with the Dean's letter to the Senate's Standing Committee on Academic Review and Planning for their information.

7.18 Within the Departments audited in the Faculties of Science and Arts, the self-studies appear to be carried out according to Senate procedures and guidelines. However, a significant number have not been completed every five years as required and some have only been completed once since 1989. It was reported that the process was found to be too time consuming. Others reported that they are awaiting the ARPC's review of procedures as they now stand. The ARPC is reviewing the procedures and expects to recommend new procedures to the Senate.

7.19 Following are the self-studies we received and their date of completion:

Arts	
Economics	1997
Sociology and Anthropology	1997
Modern Languages	1997
English	1992
Music	1991
History	1990
Psychology	1988
Sciences	
Biology	1996
Math and Computer Science	1994
Family and Nutritional Services	1991
Physics	1990
Chemistry	None
Engineering	None

7.20 In summary, based on the requirements of the policy, three of the Departments within Arts and one within Science did not have a self-study completed within the first five years. In addition, two Departments within Science have not had a self-study completed to date even though the policy was approved nine years ago. Of the remaining seven Departments, six have not had a self-study completed within the last five years.

7.21 The policy on self-studies requires them to be completed every five years. The self-studies undertaken according to University policies were a review of programs and courses to support management's decision-making and accountability requirements. The reviews cover a wide spectrum of issues and include external reviewers independent from the University. The fact that these reviews are not being completed according to Policy or on a timely basis is a concern. This information was considered important by Senate and is needed for University planning, assurance of program and course quality, and management decision making processes.

Recommendation

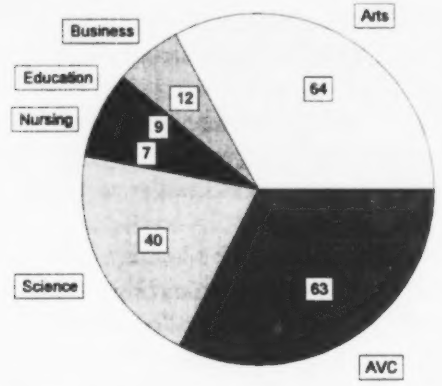
7.22 Self-studies should be completed on a timely basis in accordance with Senate policy.

Faculty Policies

7.23 The primary source of policy related to faculty is the Faculty Association Handbook which was updated in August 1998. Changes to the Handbook are negotiated with the Faculty Association. The Association also negotiates salaries and fringe benefits with the Board of Governors. The Handbook includes sections such as: Appointment of Faculty Members, Tenure, Librarians, Benefits, Discipline, and Department Chairpersons. A distribution of full-time faculty totalling 195 is included in Exhibit 7.2.

Exhibit 7.2

Distribution of Full-Time Faculty



Hiring, Monitoring and Evaluation of Faculty Members

7.24 Information was gathered to ensure policies on hiring, monitoring, and the evaluation of faculty members were documented and approved by the Board of Governors, Senate or Senior Management, communicated and adhered to. In addition, compensation for faculty members should be in accordance with signed agreements, contracts, or other approved compensation arrangements. The findings were as follows:

Hiring Policies

7.25 Section 3 of the Faculty Handbook identifies the policies and procedures for the hiring of Faculty Members. In summary they are:

- The process begins with consultation among the appropriate Chair, Dean and President with the agreement that a vacancy exists;

- The Dean would then initiate the advertising;
- The Department would then assess applications and consult with the Dean on a short list to ensure that proper University policies have been adhered to as well as to seek financial approval;
- The interview stage would then follow;
- The Department would then recommend a candidate to the Dean. If the Dean agrees, recommendations will go to the President; and
- If the President agrees and the terms are agreed upon, a recommendation will then be forwarded to the Board of Governors for final approval.

7.26 The Deans of all three Faculties reported that hiring practices are being conducted according to policy and procedures, and that recommendations would not reach the Board of Governors and gain final approval unless procedures were followed.

7.27 The AVC Dean's Council mandate states that it reviews staffing requests. The minutes reviewed support the policy and procedures in the sample cases we reviewed.

7.28 The Acting President through the Department of Human Resources provided documentation on the sample of recent faculty appointments. We determined that hiring was based on a competitive process, and appropriate approvals were obtained from the Chairs, Deans and President. However, there were four instances where approval by the Board of Governors was not obtained as required under the Act.

7.29 As well, there was no Market Differential Committee as provided for in the Faculty Handbook. This Committee is supposed to make recommendations on appropriate compensation levels when the regular compensation is not adequate to fill positions. We were informed that the Market Differential Committee has been disbanded and this function is handled by Deans in consultation with the President.

Recommendation

7.30 In accordance with the Faculty Handbook, a Market Differential Committee should be established to make recommendations on appropriate compensation levels where market differentials are involved. If the Faculty Handbook

provisions are deemed to be out of date, revisions should be developed and approved at an appropriate level.

Faculty Reviews

7.31 Section 7.8 of the Faculty Handbook outlines the policies for faculty reviews. It states that one of the responsibilities of Department Chairs is interviewing Department members yearly with respect to teaching, research, and Departmental and University activities. Regular review of each faculty member's contributions, and of efforts undertaken by the University to support each faculty member's efforts, is designed to promote professional growth and enhancement, and to strengthen the University's accountability. This regular review is to recognize that full-time faculty members play multiple roles in their work, and that teaching, research, scholarly and creative efforts, and service to University and community are all integral to the effective functioning of each faculty member.

7.32 Section 7.8 specifically states that Chairs shall receive a "Report of Activities" from all tenured, probationary, contract, and sessional faculty. In the case of faculty members who are Department Chairs, the reports of activities will be provided to their Faculty Dean. In the case of faculty members who are Deans, the reports of activities will be provided to the President. Each year non-tenured faculty members shall provide a current curriculum vitae and a written report of their activities and tenured faculty members will provide the same every other year. There would seem to be no reason why tenured faculty are reviewed every two years instead of annually. This review need not be as exhaustive as the annual review of non-tenured faculty but should be sufficient to demonstrate that performance is being monitored and reviewed. Tenured faculty have greater job security and additional freedoms which make the annual reviews important to hold them accountable for their responsibilities.

7.33 Section 7.8 of the Faculty Handbook specifically states that the report of activities shall include the faculty member's account of:

- Teaching;
- Contributions to the discipline;
- Contributions to the University's governance and functioning;
- Contributions to the community;
- Professional service contributions (where applicable); and
- Any other information that the faculty member deems relevant.

7.34 Section 7.8 states that Deans shall be notified of any concerns, of either the Chair or faculty member, which arose in the previous review and which have not been satisfactorily addressed. Deans will be responsible for ensuring that reviews have taken place in accordance with the agreed-on policies and procedures.

7.35 Section 7.8 states the procedures on how the Faculty Reviews should be conducted. Section 7.8 also states that Deans or the President may review the materials submitted if responding to a complaint about the faculty member's performance, and only after notifying the faculty member of his or her intention to do so.

7.36 The audited faculties reported that evaluation and monitoring of faculty members was being conducted in accordance with Section 7.8 of the Faculty Handbook. Standard forms on reporting, reviewing and confirming were reported to be available to facilitate the process. However, some Department Chairs reported that they felt that faculty reviews were not being conducted according to policy and that review files are only opened during tenure, promotional processes or if responding to a complaint, and in their view would require the faculty member's approval.

7.37 In order to gain assurance over the faculty review process, we randomly selected ten faculty members in each of the three Faculties. We were advised that we could not access the faculty reviews without the consent of the faculty member. As an alternative, we requested the Acting President to advise us whether or not the policy on faculty reviews was followed in general for all faculties and schools, and specifically for the 30 randomly selected faculty files. The file numbers selected were then provided to the Acting President who was to provide assurance that faculty reviews were conducted according to policies.

7.38 The Acting President provided the following results from his review. In general, since 1997 the Chairs and Deans in the faculties and schools, conducted most of the faculty reviews as required. For the 30 randomly selected faculty 23 agreed to allow the Acting President to review their files. Of the 23 files reviewed, the Acting President found that all of the reviews required in Science and Arts were completed. In AVC, 9 of the required 12 reviews were completed. It was indicated that the three missing reviews were Chairs and an Associate Dean. According to the Faculty Handbook, faculty reviews of Chairs should be performed by the Dean and faculty reviews of Deans should be performed by the President. Therefore, of the 30 selected, we obtained assurance from the Acting President that 20 were completed in accordance with the policy.

7.39 The faculty review process is key to ensuring the mandate of the University is fulfilled. If the reviews are not completed according to the documented policies and procedures, there are limited processes in place to hold management and faculty accountable for their responsibilities. Our review raises a number of concerns:

- Faculty reviews performed by the Chairs of Departments are not forwarded to the Deans to be signed off. A sign off by the Deans would signify that the review was carried out and the appropriate forms completed. Any additional review of the file would be at the Dean's discretion. The Deans are the senior managers for the faculties and are responsible for the quality of education provided by the faculties. An additional concern is that the Chairs in many of the smaller departments rotate and are considered to be equal with the individuals being evaluated. We elaborate on this further in the section on the appointment of Chairs.
- Not only do the Deans not sign off on the faculty reviews but also Section 7.8 of the Faculty Handbook is currently interpreted as preventing them from reviewing the files unless a complaint arises and only then after notifying the faculty member.
- It is a concern that out of our sample, 23 percent of the faculty refused to provide the Dean and Acting President access to their faculty reviews. We would expect faculty to have considerable input into the process, but in our view they should not control the release and monitoring of the faculty reviews.

Recommendations

7.40 All faculty reviews should be completed and documented as required in the Faculty Handbook.

7.41 The Dean for each Faculty as well as the Chairs should sign off each faculty review as complete and in accordance with the Faculty Handbook policy.

7.42 Section 7.8 of the Faculty Handbook should be clarified with faculty so that information requested by the Dean or the President is provided.

7.43 Consideration should be given to annual reviews of all faculty members.

Teaching/Course Evaluation

7.44 Senate policy requires all members of the teaching staff, full-time and part-time, to monitor on a regular basis the effectiveness of their teaching through evaluation by students.

7.45 Senate approved a policy on student evaluations of both the course and teaching. As part of the Faculty Review process, Section 7.8 states that the report of activities shall be accompanied by the results of Student Opinion of Teaching Surveys conducted in all courses taught by the faculty member. Surveys shall be administered in a manner which is determined by the faculty member's Department, and which ensures anonymity for the student and confidentiality for the faculty member. Surveys shall include, but not be limited to, questions regarding student opinions about the faculty member's preparedness, communication ability, and overall effectiveness.

7.46 Senate minutes note that evaluations should be used for teaching enhancement as opposed to career advancement and individual faculty members are free to use or modify existing forms or design new forms as long as such forms embody recognized means of establishing the effectiveness of teaching.

7.47 It was reported by the Deans and Department Chairs that teaching evaluations were treated seriously by faculty and were used to improve their teaching and the courses offered.

7.48 As previously mentioned information and documentation to gain assurance that faculty reviews are conducted in accordance with Section 7.8 Policy and Procedures, including teaching/course evaluation results, was requested as part of the audit. The Acting President provided assurance that the required Student Opinions of Teaching was completed in 1996-97 and 1997-98 with the exception of one out of a class of five in AVC and one out of a class of twelve in Arts. He indicated that the Faculty of Science, and the Schools of Business, Education and Nursing were complying with the requirements for completion of the Student Opinions of Teaching.

7.49 Even though the Faculty Handbook does not state so, the student evaluations are considered to be the property of the faculty member. The current appraisal provides insufficient review of student opinion of teaching evaluations beyond the faculty member. Access to the results is now allowed only for Chairs and/or Deans and the President if responding to a complaint. Senior management and students do not have adequate assurance that student opinions of teaching are recorded and used to improve teaching practices. If these evaluations are to be useful, a summary of the results should be provided to the Chair and the Dean. These summaries should be supported by a file of individual evaluations accessible by the Chair and the Dean on request. The issue of confidentiality should be reviewed because the current requirements are a stumbling block to the usefulness of these evaluations. Some other universities seem to take a more open approach to student evaluations. For example, we noted one university provides a summary of student evaluations of professors and individual courses, and publishes the information on the Internet.

7.50 Within the AVC, the course evaluation procedures outline that evaluations are reviewed by both the Dean and Associate Dean of Academic Affairs. The evaluations are then discussed during Curriculum Committee meetings and then given to the Chair of the appropriate department. The Chair then distributes the evaluation results to the instructor. This is a notable difference from the Faculties of Science and Arts where student evaluations do not usually go beyond the Chair and faculty member.

Recommendation

7.51 The method for reviewing course evaluations should be improved. The process in the faculties of Arts and Science should ensure all evaluations are reviewed by the Deans.

Department Chairs

7.52 The Faculty Handbook describes Department Chairpersons as first among equals. They are considered the chief administrative officer of the department with responsibility for policy making and administrative or executive duties. The Chairperson is normally chosen from within the department and is elected by a committee of faculty and students of the department.

7.53 As indicated in the previous section, one of the responsibilities of department chairs is to interview department members yearly with respect to teaching, research, and departmental and University activities. The Handbook indicates that regular review of each faculty member's efforts is designed to promote professional growth and enhancement, and to strengthen the University's accountability.

7.54 Department Chairs receive reports from all tenured, probationary, contract, and sessional faculty. In Education, Business Administration, and Nursing, the Deans assume the duties of the Chair because there are no departments within these Faculties/Schools.

7.55 The Department Chair meets with each faculty member individually to discuss the report and ways the department and University can further support the efforts of the faculty member. Any concerns the Department Chair has with the adequacy of the faculty member's performance are communicated and the faculty member is given an opportunity to respond.

7.56 In our opinion, the current process for determining Chairs can pose problems and should be reviewed, especially in small departments. The Chairperson is not necessarily in a position to confer responsibility or require certain actions of his colleagues who may be in a higher academic rank. Presently, the Chairperson functions similar to a departmental representative rather than the faculty members' supervisor. In addition, some departments consist of few faculty and the Chair is filled on a rotating basis. In the Faculty of Arts, 6 of the 11 departments have 5 or less faculty members. In the Faculty of Science, 4 of the 6 departments have 6 or less members. This means that in some departments the faculty over time are taking turns reviewing each other.

Recommendation

7.57 The Board of Governors should examine alternatives to the process for selecting Department Chairs.

Tenure of Faculty Members

7.58 Tenure is defined in the Faculty Handbook as an "appointment without term, the right of a faculty member not to be dismissed except for cause. Appointment without term includes the right during the appointment to fair consideration for increases of responsibility and salary, and promotion in rank." Tenure is normally awarded after four years and before five years of service. Currently, of the 195 faculty, 128 are tenured, 48 are probationary (non-tenured), and 19 are term positions. Term positions are used for replacing faculty on sabbatical or sick leave.

7.59 The Tenure Committee of Senate recommend that tenure be awarded based on:

- Success in teaching performance;
- Appropriate research, creative and professional activities;
- Continuing productivity; and
- Administrative and committee work.

7.60 The awarding of tenure is interpreted by some as the right of employment until resignation or retirement. Faculty can still be dismissed for cause, but this rarely happens. Tenure is necessary in the academic setting because it allows faculty to perform research and teach without fear of reprisal or interference. Tenure is similar to what most employees, especially those in the public sector, are entitled to with respect to job security. Highly qualified tenured staff are an asset to the University. Therefore, it is important that the processes for awarding tenure and performing subsequent faculty reviews are rigorous. These are key processes to ensure faculty awarded tenure are of the highest calibre and remain so subsequent to their appointment. We found a formal structured process for awarding tenure which should provide for thorough scrutiny before tenure is awarded. However, we have already alluded to weaknesses in the faculty review process that should be corrected.

Accountability for Activities, Workload and Allocation

7.61 Information was gathered to ensure there is clear agreement on accountability for faculty activities, workload, and allocation of time among research, teaching, and service. This should be consistent with established University policy and terms of faculty employment. The findings are as follows:

- The University has not interpreted the mission to determine the proportion of resources to be allocated to teaching, research and service within the University. We recognize that specific allocations for Faculties, Departments, and individual faculty members will vary, however, an overall objective should be documented for the University.

- Section 2 of the Faculty Handbook outlines the rights and responsibilities of faculty members. This policy states that faculty members have certain duties and responsibilities in the areas of teaching, research or creative activities, and academic service and that they should be encouraged to provide their expertise and judgement to the community. Clear agreement on the accountability for faculty activities, workload, and time allocation among research, teaching, and service is not documented. These issues are discussed and addressed during faculty reviews.
- Within the Arts Faculty, it was reported by the Chairs and the Dean that the workload issue is discussed during the faculty reviews and that it is understood that each faculty member would teach a minimum of three courses. It was also reported by the Chairs and the Dean that research and service are the faculty member's responsibility and are relied upon when applying for promotion or tenure. It was reported by one Chair that having clear guidelines on workload accountability would facilitate the faculty review process. Historical data provided by management confirmed that faculty have been teaching at least three courses on average.
- The AVC reported that these allocations are decided at the Department level. The Chairs and faculty members together make decisions on the workload issues, and they are continuously discussed during planning and reviewing.
- The 1997 AVC Self-Evaluation provides a breakdown of the work allocation for each faculty member. The self-evaluation includes a table with a column for the percentage of time devoted to teaching, research, service and administration. Among other data, this document states the number of publications and teaching assignments in the past three years. This document also describes the methods used to measure outputs of the total program of instruction, research, and service. In the AVC, documentation demonstrates that activities, workload and allocation among research, teaching and service are being monitored.
- It was reported by one Chair that four faculty members (three Chairs) formed a Committee to address the workload issue at the request of former President Epperly. The committee's mandate and/or minutes were not available at the time of the audit.

7.62 We recognize that allocations will vary depending on the objectives of the Faculty, Department and faculty member. However, a more disciplined approach will provide greater assurance that the activities of faculty members are contributing to the objectives of the faculties and the mission of the University.

Recommendation

7.63 The University should document its overall objective on the relative emphasis to be given teaching, research and service. Methodology to do this has been developed within the Faculty of Veterinary Medicine and appropriate methodologies should be developed in the faculties of Arts and Science. In addition, faculty should be held accountable for their actual activities by comparing them to their expected performance and the results documented.

Curriculum

7.64 Information was gathered to review whether processes are in place to ensure all changes to academic programs are properly approved, consistent with prevailing University requirements, and linked to University mandate and mission. The findings are as follows:

- The process within AVC and the faculties of Arts and Science is as follows: First, the academic unit proposing the change achieves internal agreement. Second, the proposal is taken for review by and approval of the whole Faculty. Faculty approval includes review of the proposal by a special-purpose curriculum committee and/or a committee of Department Chairs followed, normally, by approval at a meeting of all faculty. Third, the proposal is taken to a committee of Senate for evaluation. When the proposal is for a new program or a significant modification to a program, it is evaluated by the ARPC. If the proposal is a relatively minor change to a program, it is evaluated by the Curriculum, Course Change, and Calendar Committee (4Cs Committee). In either event, the Committee evaluation is reported to Senate with recommendations. If Senate approves recommendations from the 4Cs Committee the process ends. If Senate approves recommendations from the ARPC, the proposal moves to the Maritime Provinces Higher Education Commission for evaluation and approval. Minutes of meetings of the Curriculum Committees and Dean's Council provide evidence that this process is being followed.

- The Curriculum, Course Change and Calendar Committee has the responsibility for coordinating proposals from Faculties and Schools for modifications to existing programs, creation of new courses and revision or deletion of existing courses. Minutes from meetings of this Committee for 1997-98 demonstrate that the proper steps were taken in a sample of selected cases. It was reported that the Committee does not attempt to make the linkages between courses and the University mission as those links would be left to the ARPC.
- The ARPC has the responsibility for recommending to Senate the implementation of new programs and/or the significant modification of existing programs. The ARPC terms of reference specifically outline that it has the responsibility to recommend to Senate academic directions, policies and strategies that create a pattern of academic programs consistent with the declared mission of the University. Minutes of ARPC meetings provide discussion of recent program proposals and linkages can be made to the University mission.
- The MPHEC guidelines for new or modified program proposals reviewed as part of this audit do not request identification of the linkage of the new program to the University's mission.

7.65 There appears to be adequate processes in place to ensure all new programs or changes to existing academic programs are properly approved, consistent with prevailing UPEI requirements and linked to the University mission.

7.66 Information was gathered to ensure procedures are in place in AVC and the faculties of Arts and Science to regularly assess the appropriateness of programs and courses including regular information feedback from; students, faculty, management, MPHEC, graduate schools, other post secondary schools (accepting credits), business community, and other interest groups (professional and accreditation associations). The findings are as follows:

- Overall, it was reported that student feedback is the most important information received in terms of identifying the appropriateness of programs and courses. It was reported by the Deans that student evaluation of teaching and courses plays a significant role in planning and course development because faculty receive the feedback and bring suggestions forward.

- Further, it was reported that MPHEC does not evaluate or provide feedback on the appropriateness of programs and courses after they have been implemented. In addition, graduate schools do not provide formal feedback as to the appropriateness, however, it was reported that alumni provide informal feedback. Other post secondary schools provide indirect feedback with the approval or refusal of transfer credits and students.
- The Curriculum Committee of the AVC reviews and evaluates individual courses and make recommendations to the Dean. The minutes of meetings confirm that the course evaluations are discussed and suggestions and comments are addressed.
- The Music Department recently undertook and completed a complete review of their curriculum and courses. We were informed that all academic units review the structure of their programs and courses every second year when they are asked to provide an updated calendar.
- The AVC reported that it relies heavily on Graduate Surveys, student results on the National Board Examinations and Clinical Competency Tests, and graduate success in practice to assess the appropriateness of programs and courses. Within the AVC, there are formal processes in place to administer Graduate Surveys. It was reported that the Curriculum Committee and Dean's Council review these surveys and forward to faculty.
- In the Faculty of Science, Engineering Diploma students are tracked by UPEI after they leave UPEI to complete their degree. Food and Nutrition graduates must complete internships and qualify for licensing and they are tracked.

7.67 Both formal and informal procedures appear to be in place to gather feedback on the appropriateness of programs and courses in each of the faculties we reviewed and there is tracking of graduates in some courses of study. A formal tracking system of graduates and the implementation of surveys for Faculties other than the AVC would serve to benefit the University. In our opinion these surveys would provide important feedback on programs and courses.

Recommendation

7.68 Graduate surveys should be implemented to assist in assessing the appropriateness of programs and courses in the faculties of Arts and Science.

7.69 Information was gathered to ensure that processes are in place to regularly monitor and evaluate programs/courses to ensure programs are being implemented as intended and continue to fill the need, demand, and purpose for which they were originally approved. The findings are as follows:

- Within the Faculties of Science and Arts, it was reported that the self-studies and curriculum development plans are the two primary reports, which serve as Departmental monitoring and evaluation of the programs and courses.
- In the AVC, it was reported that student evaluation of courses, feedback from faculty, graduate surveys, success on National Exams and feedback from other Veterinary Colleges are heavily relied upon when trying to assess the effectiveness of the College in meeting program and course demands. Established performance targets and the performance of other Veterinary Colleges and their programs are also reviewed.

7.70 Through the use of self-studies, there were to be established processes to regularly monitor and evaluate the programs and courses in the Faculties of Science and Arts. However, due to a number of reasons these processes have broken down and the University's programs and courses are not being regularly monitored. We were advised that steps were being taken through MPHEC and the Senate to respond to this issue, however, no plan is in place at this point.

7.71 However, the AVC appears to be properly monitoring and evaluating courses and programs to ensure programs are being implemented as intended and continue to fill the need, demand, and purpose for which they were originally approved. Minutes of committee meetings indicate that the Faculty is aggressive in taking the proper steps in obtaining adequate feedback to be able to make decisions. The requirement of Business Plans, Strategic Plans and Self-Evaluations for provincial authorities and accreditation bodies ensures that the College monitors and evaluates the continued relevancy of the courses and programs as well as to serve as significant planning tools.

Recommendation

7.72 The faculties of Arts and Science should have a more structured approach to monitoring and evaluating programs and courses.

7.73 Information was gathered to determine if processes are in place to ensure all programs/courses adhere to prevailing standards of higher education and university practice. The findings were as follows:

- Within the AVC, the accreditation documents provide the greatest insight as to whether the programs and courses adhere to prevailing standards of higher education. The programs and courses are scrutinized before a successful accreditation is granted. In 1997, the AVC was granted full-accreditation for the following seven years from the Canadian Veterinary Medical Association/American Veterinary Medical Association.
- The Food and Nutritional Science program and the Engineering program are also subject to an accreditation process.
- It was reported that the MPHEC requirements for introducing a new program or making significant changes to it motivates the Departments to ensure adherence to standards of higher education.
- The proposed MPHEC Quality Assurance Policy, if implemented, should address key issues to ensure adherence to higher education, such as:
  - How well is the institution achieving what it set out to accomplish in its quality; and
  - Is it doing what it should be doing in the area of quality assurance?

  It was reported that self-studies would be an integral part of the MPHEC proposed Quality Assurance Policy. We have already observed that in many cases these are not being done in Arts and Science. The MPHEC documentation indicates that self-studies should be both descriptive and analytical. The Quality Assurance Report should include clear statements as to how well the quality assessment and quality improvement processes are performing, and whether these processes are the most adequate for the task.
- In the Faculties of Science and Arts, it was reported that they determine the prevailing standards and practices for higher education informally, through conferences and courses where participants present ideas, challenges and debate on the issues. It was also reported that faculty members belong to various Associations, which provide feedback on standards and practices for Higher Education.
- Other reported sources of information for monitoring standards of education were: reviewing other post secondary school calendars; graduate school calendars and alumni acceptance to graduate schools; websites; and alumni feedback. The tracking of graduates is done informally in Science and Arts.

7.74 It appears that the MPHEC will provide the formal processes needed to ensure all programs adhere to prevailing standards of higher education and university practice. The MPHEC provides this review when new programs are introduced. The implementation of the Quality Assurance program should help provide assurance that higher education standards are met on a continuous basis.

Costing Study

7.75 A University Costing Study was undertaken by the Maritime Provinces Higher Education Commission, who engaged an outside consulting firm to perform the work. The study proposed a costing methodology by discipline to calculate both direct and overhead costs for each discipline.

7.76 We used the methodology to perform some analysis on costs. It would not be appropriate to present this information in our report until the University has had an opportunity to apply this methodology.

7.77 Our main concern is that the information could be misinterpreted or selectively used to promote or discourage a particular course of study. There are many factors that have to be considered in assessing the costs and benefits of particular courses. This type of information, however, is useful for management in analyzing costs and assisting senior management, the Senate, and the Board in making decisions on academic and financial plans and priorities. Based on the work we performed, the time and effort involved by the University would be well worth the benefit of additional information on course costs.

Recommendations

7.78 We recommend that the University use the methodology provided by the Maritime Provinces Higher Education Commission in the University Costing Study to prepare further analysis on costs.

7.79 This information should be summarized and used by senior management, the Senate and the Board of Governors as part of the internal decision-making process in determining financial and academic plans.

Reporting to the President

7.80 Information was obtained to determine if performance by the Faculty/School against plans and goals is documented in a report to the President at least annually. Overall, the right things should be reported at the right time and in the appropriate level of detail and aggregation. This management and accountability reporting should be accomplished in a transparent manner and the monitoring and reporting systems and processes should be cost-effective. The findings are as follows:

- Faculties reported that there are no annual performance reports submitted to the President. It was reported that Departments informally report annually to the Dean through their Chairpersons, and the Dean reports directly to the President. The Dean then discusses the Faculty with the President, mostly on budgetary issues. The Deans, the two Vice Presidents and the President together form the Senior Management Group, which deals primarily with planning and budgetary processes.
- The AVC is accountable to the four Provinces as part of the Interprovincial Agreement, which provides guidelines for seat allocation and expenditures. The AVC must communicate the allocation of those seats and expenditures to the respective Departments of Education. There is also reporting to Associations, other Colleges and funding stakeholders.
- The AVC also provides two reports annually to its Advisory Council on issues such as budgets, strategies and admission, this Council consists of representatives from the four Departments of Education, the four Provinces' Veterinary Medicine Associations, Agriculture Canada, Nova Scotia Agriculture College and the AVC.
- The AVC publishes three Newsletters and one annual report on the performance of the College. These publications are distributed to all current and former students, faculty members, other Deans, Senior Management and stakeholders.

7.81 Based upon the documentation provided, with the exception of the formal budgeting process, it would appear that reporting to the President occurs on an informal basis. There does not appear to be any reporting on performance against plans and goals. The President should be receiving documented information on the performance of the Faculties/Schools to discharge the President's accountability to the Board, Senate and other stakeholders.

Recommendation

7.82 Overall, there is a need for a more formalized management reporting system that requires performance information to be provided by each faculty to the President. The President should incorporate aggregated information from these reports in the President's report to the Board of Governors. These reports should

form the basis for the annual report of the University to the Legislative Assembly.

8. RESEARCH

Introduction

8.1 The University mission states that it is a community of scholars whose primary tasks are to teach, to engage in scholarship and research and to offer service for the benefit of our Island and beyond. This mission establishes research as an essential aspect of the University. Policies stated in the Faculty Handbook indicate that research and scholarly activity are key elements for tenure and promotion decisions and it is therefore, a clear expectation of the institution that faculty will engage in research activity.

8.2 Research is the systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions. It is conducted at the University through numerous disciplines, covering a wide range of topics, and at varying levels. The diversity in research projects is broad, for example, one project involves extensive laboratory research into the genetic factors leading to susceptibility to toxic effects of intermediate compounds formed when the body breaks down certain drugs, such as drugs used in cancer treatment, while another project investigates Confucianism in contemporary Korea. These variations are typical for research in a multi-disciplinary institution.

8.3 Determining what types of activities constitute research is sometimes difficult. Some guidance can be drawn from the Faculty Association Handbook which attempts to clarify what will be considered a contribution to a discipline for the purpose of promotion. It involves "extending knowledge" in the area of study and can be assessed, for example, through consideration of publications, presentations at scholarly conferences, and research grants received. The Handbook attempts to draw a distinction between contribution to a discipline and practising a discipline. Even with these guidelines, the activities considered to be research are not always clear and grey areas exist.

8.4 Research funding can occur by way of internal or external support in the form of a grant or contract. Internal funding is monies set aside by the University itself through operating budgets or endowments to fund research projects while external funding is sourced from outside the University community. A research grant is financial support provided for research in a particular subject area or field. There are usually no conditions or direction attached to the research and payment is often made in advance. A research contract is an agreement to carry out specific research under stipulations and subject to various conditions. Payment is often based on receipt of certain predefined "deliverables".

8.5 The University has experienced growth in research activities in recent years as illustrated in Exhibit 8.1. Direct expenditures on research projects increased from $1.9 million in 1994 to $2.5 million in 1998. These expenditure amounts do not include the cost of faculty time dedicated to research.

Exhibit 8.1
Research Expenditures

	1994	1995	1996	1997	1998
Internally Funded					
AVC	$ 170,675	$ 268,039	$ 335,237	$ 357,251	$ 212,616
Main Campus	105,049	103,377	207,292	98,290	103,079
	275,724	371,416	542,529	455,541	315,695
Externally Funded	1,616,626	1,363,658	1,281,544	1,580,917	2,233,977
Total	$1,892,350	$1,735,074	$1,824,073	$2,036,458	$2,549,672

8.6 Exhibit 8.2 illustrates the growth in externally funded research over the past five years. The University has received almost $9 million in research revenue over the period with a corresponding expenditure of $8 million. The balance of $2 million in the research fund consists of discretionary balances in certain research accounts which we estimate at $500,000 and approximately $1.5 million for research projects in progress. With the recruitment of new faculty members in recent years and the focus on research in the AVC strategic plan, growth in research activity is expected to continue. About 60 percent of the research funding received in 1998 related to projects carried out through AVC. Many of these projects represent multi-year commitments on the part of the funding agency. Total funding committed for active projects at AVC amounted to $3.7 million in 1998.

Exhibit 8.2
Research Funding Received

	1994	1995	1996	1997	1998	5 Year Total
Opening Balance	$1,172,662	$897,496	$898,551	$1,431,627	$1,713,760	$1,172,662
Research Revenue Received	1,341,460	1,364,713	1,814,620	1,863,050	2,580,577	8,964,420
Subtotal	2,514,122	2,262,209	2,713,171	3,294,677	4,294,337	10,137,082
Expenditures	1,616,626	1,363,658	1,281,544	1,580,917	2,233,977	8,076,722
Ending Balance	$ 897,496	$ 898,551	$1,431,627	$1,713,760	$2,060,360	$2,060,360

8.7 There are benefits and costs associated with research carried out at the University which are difficult to quantify. Benefits accrue through conducting research over and above the results of the specific research projects themselves. Not only is research a fundamental aspect of a University, it is expected that this contribution to the discipline through research will be reflected in teaching and will help to stimulate independent thought on behalf of the students. In addition, externally funded projects may result in the acquisition of equipment which may be put to general use at the conclusion of the project.

8.8 There are ongoing costs to carrying out research activities however. The University provides support for research through several channels. The Office of Research Development provides development and administrative services for research on Main Campus and the Office of Graduate Studies and Research provides similar services for AVC projects. Existing administrative systems, such as payroll and accounting systems, are used to process transactions in research accounts and other resources of the University such as laboratories, equipment, and library resources are also used in support of research activities. In addition, the University makes an ongoing investment in research through faculty members in their commitment of salaried time to their research initiatives.

8.9 Our objective was to assess the management practices, procedures, and administrative controls in place over research. We interviewed the Vice- President of Academic Support, the acting Director of the Research Development Office, the Associate Dean of Research at AVC, as well as staff at the Accounting Office. We reviewed policies and procedures in place for the administration of research grants and contracts. In addition, we obtained the listing of all research accounts and transactions during the year, performed summary analysis on these accounts, and examined documentation on several external grants and contracts.

Planning

8.10 We looked for the University to have procedures in place to identify actual or emerging research strength and expertise. These areas, once identified, can impact space and facilities planning, operational budgeting, applications for research funding and staffing.

8.11 Research is very much subject to the autonomy attributed to scholarly activity. Although the University provides support to research activities, research is usually initiated by faculty members. However, there are two types of planning that can and should occur within the University setting in relation to research. First, is to develop a plan to encourage and promote research, and increased accessibility to external funding for research projects. The second is to identify areas of research focus where the University will be able to establish itself as a recognized center for research.

8.12 Although the administrative procedures are the same, there are two streams through which research can be initiated at the University; AVC and Main Campus. The Graduate Studies and Research Office at AVC has a strategic plan in place with objectives, and indicators linked to the strategic plan of AVC. There is no such strategic plan for research for the University overall, nor is there an operational plan for the Research Development Office providing direction on the promotion and support for research activities for Main Campus.

8.13 In the fall of 1997, a study on Research at UPEI was completed and a report was prepared including fifteen recommendations. As the position of Director of Research Development was vacant, the decision of Senior Management Group was to fill that position first, with the incumbent to consider the feasibility of implementation of the recommendations and establishment of an operational plan for the Office. The search for a Director conducted in the Spring was unsuccessful and a national search will be conducted in the Fall of 1998.

8.14 The Research Study indicated that as a small university UPEI will only be able to establish itself as a recognized center of research in a limited number of areas. Larger universities can staff to acquire expertise in a certain area of research but a primarily undergraduate university, such as UPEI, must recruit based on breadth of teaching experience and expertise. However, even with the need to satisfy teaching diversity, there may be room in some areas to focus expertise and build research capacity.

8.15 We were not provided with a particular plan identifying areas of research focus for either Main Campus or AVC. However, during our audit, we were informed that the Canadian Foundation of Innovation had been established through the Federal government to improve the infrastructure for research and UPEI was developing proposals to access this funding. Subsequent to our audit, we discussed our draft report and at that time we were advised that a number of proposals were developed as part of this program.

8.16 The AVC business plan states that the College has an active program in broad areas of biomedical and veterinary research but it has identified particular interest in population health and fish health-aquaculture. Swine health was also identified as an area of specialization. Certainly there is evidence of a long-term commitment to aquaculture and swine research through the acquisition of physical facilities and ongoing operational requirements to support these research facilities.

8.17 While research is initiated by faculty and dependent on them, procedures are in place which require approval of the Director of Research Development or the Associate Dean of Research at AVC before an account is established by the Accounting Office. In this way, management is aware of all funded research that is occurring at the University and any unplanned emerging areas of strength or expertise that are developing should be identifiable through these two offices. However, unfunded research is also carried out and would not necessarily be reported by faculty members.

8.18 Subsequent to our audit, we were informed that a report commissioned by MPHEC regarding a proposal for UPEI to grant graduate degrees included observations which may impact research at UPEI.

Recommendations

8.19 The University should take steps to address the recommendations in the research study completed in 1997 and the issues pertaining to research in the MPHEC Report.

8.20 The University should consider establishing further areas of research focus for Main Campus based on current or potential expertise or capacity.

8.21 The search for a Director of Research Development should be completed as soon as possible.

8.22 An operational plan should be developed for the Research Development Office to encourage, promote, and support research within the University.

Administration

8.23 We expected the University to have documented guidelines, regulations and policies for the administration of all aspects of research carried out under its name and to have procedures in place to ensure compliance with these.

8.24 The University prepared a Grants and Contracts Handbook in 1998. It consists of a compilation of existing policies and procedures in place over research activities. For the most part it is a compilation of policies that were already in effect but there is one section on insurance and liability which is left blank, awaiting policy development in this area. The draft Handbook was circulated to interested parties for their response. It has not been formally approved and is still referred to as draft. It has now become part of the policy project under the purview of the Vice-President of Finance and Facilities.

Recommendation

8.25 The draft Grants and Contracts Handbook should be completed and formally approved.

Procedures

8.26 There are procedures in place designed to protect the interests of the University in relation to research expenditures. This is accomplished through the requirement of a completed Administrative Approvals Form prior to opening of a research account by the Accounting Office. This form requires the approval of the principal investigator, the Department Chair, Dean of the Faculty, Director of Research Development or in the case of AVC the Associate Dean of Research. The form also requires the approval of each committee or a determination that it is not applicable for each of Biohazard, Ethics, Animal Care and Radiation Safety. In addition, all contracts, including research contracts, can only be signed by the Vice-President of Finance and Facilities or the President. This limitation ensures appropriate approval for any commitment of resources on the part of the University. All funded research requires the establishment of a separate research account and requiring these approvals prior to its establishment is an important internal control.

8.27 Once a research account is established it is subject to the same accounting policies as any other University account. We were informed that all external purchases are made through the purchase order system, all internal purchases through a requisition system, all salaries and stipends are paid through the Payroll Office, all travel claims are subject to University travel policy. We selected a sample of six research accounts and reviewed them for the following:

- appropriate approvals in place;
- expenditures processed through the university accounting system and subject to standard internal controls;
- revenue received in accordance with the terms of the contract or grant; and
- any final reporting required in the agreement was provided.

8.28 Each research account is the responsibility of the researcher. Any over expenditure is an amount owing to the University which must be satisfied from the researcher's other research accounts if appropriate or from his personal assets. The Accounting Office is responsible for processing the payments out of approximately 525 research accounts based on the requirements of the accounting policies.

8.29 There is a cost to the University in administering research funding including costs to process payroll, issue monthly accounting reports, and invoice and monitor contracts. It is the policy of the University that, where possible, applications for research funding will include an amount for indirect costs or overhead. Overhead is not charged on research grants or the portion of research contracts related to graduate student stipends and equipment.

8.30 At the time of our audit, the overhead policy at UPEI was under review. The level of overhead charged to a contract will vary given the nature of research work and the diversity of possible funding sources. The guideline presented for calculation of overhead to be charged to a contract was:

- 20-65 percent of the salary component of the project (excluding graduate student stipends); or
- 20-30 percent of the full contract (excluding graduate student stipends and equipment).

8.31 We reviewed three contracts for research funding. One had overhead charged at 65 percent of salary costs, another had an effective overhead rate of 10 percent of contract costs and the third indicated that overhead costs were donated to the project by the University.

8.32 The policy at UPEI is that revenue generated from research overhead is divided 50 percent to the University operating account and 50 percent to the Academic unit general research account. Although this relates to contracts, some researchers work very hard to recruit a funding source such as a business or foundation to support their research. They view the addition of an overhead charge as a tax on their efforts, driving up the cost of the research and reducing the opportunity for funding. Many faculty members at AVC, where the majority of contract research is carried out, feel that the College already pays for overhead through the funding agreement and any overhead revenue generated should be deposited in full in the AVC research account. We were told that the Graduate Studies and Research Office has not enforced the policy of requiring the overhead charge on contracts but has proposed a revision to the policy to allow 100 percent of the revenue generated through research overhead to come back to AVC.

Recommendation

8.33 The University should take steps to resolve the issue on research overhead and ensure that overhead is charged in accordance with policy on all research contracts.

Administrative Support Assessment

8.34 Although research must be faculty initiated, there are procedures that can be directed at expanding the quantity and quality of research, such as identifying potential funding sources, assisting in writing successful grant applications and supporting contract negotiations. Through the Research Development Office and the Graduate Studies and Research Office at AVC these procedures are carried out. The Graduate Studies and Research Office has identified goals for the operation of the Office with the intent of measuring the performance and reporting against these goals after an appropriate implementation period. There are no measurements in place to determine how successful the Research

Development Office is in expanding the quantity and quality of research for Main Campus.

Recommendations

8.35 Targets should be set for assessing the procedures in place designed to increase the quantity and quality of research carried out by the University Main Campus. These targets should include:

- **number of applications to funding agencies;**
- **number of grants awarded; and**
- **number of grantsmanship seminars conducted.**

8.36 Performance achieved in relation to the targets established should be reported to senior management periodically.

Internal Research Grants

8.37 Internal research grants are funded from monies set aside by the University itself. Certain internal research awards are made based on a competitive process under the authority of the Senate Committee on research or the Graduate Studies and Research Committee at AVC. Other internal research awards are made at the discretion of the Dean of a faculty or Chair of a Department at AVC. The Senate Committee on Research administers the competitions for the internal research grants for non-AVC researchers, amounting to approximately $100,000 per year in total. Based on specific criteria the amounts awarded to each successful faculty member could range from $1,500 to $5,000. The Senate Committee on Research also administers a competition for grants through the Social Sciences and Humanities Research Council of Canada. This grant is awarded to the University each year based on a formula and is then subsequently awarded to faculty members through a competition administered by the Senate Committee on Research. It is awarded internally but it is externally funded. In 1997-98 the amount awarded was $10,730.

8.38 The Graduate Studies and Research Committee of AVC administers the internal competitions for that faculty. There are annual competitions for internal grants up to $10,000 per faculty member to a total of $50,000. There is also a competition for graduate stipends assistance with a total of $30,000 available. As a result of recommendations in the accreditation report, an effort was made this year to attract more graduate students with a Doctor of Veterinary Medicine (DVM). AVC earmarked approximately $150,000 to be used for DVM graduate student stipends on a one time basis with $60,000-

$75,000 on an annual basis to be administered through a competition. In addition, the Committee administers Animal Welfare Unit grants which are funded through an endowment account rather than through operations.

8.39 Procedures are in place to ensure these specifically identified research funds are awarded fairly on a competitive basis. However, there are also research funds available that are awarded on a discretionary basis. The opening balance plus the revenue recorded during the year in these accounts amounted to approximately $600,000.

8.40 Start-up research funding is provided to new faculty members to encourage them to develop research proposals which may lead to externally funded research. A total of $34,500 was paid out in start-up research grants in 1997-98 with $30,500 of that amount through AVC. These amounts are separate from other internal research funding subject to competition.

8.41 There are several accounts which are at the discretion of the Dean of a faculty or the President. The Dean of each faculty in Main Campus has a small research account funded through operations. In AVC the Chair of each Department has an account which is funded when one half of research overhead is returned to the faculty, or when contributions of service remuneration are received from faculty members. These accounts are used for such things as assisting faculty to attend conferences related to their research and are essentially used at the discretion of the Dean of the faculty or Chair of the Department.

8.42 In 1997 an account was established with a transfer of funds from operations of $100,000. This account is to be used for institutional research at the discretion of the President. A similar amount is available for use at the discretion of the Dean of AVC, resulting from net revenue remaining from Fish Health Research contracts carried out under the former Atlantic Fish Health Inc.

8.43 These discretionary funds are not covered in the Grants and Contracts Handbook for research activities. While individual Departments may have specific guidelines dealing with the dispersement of these funds, we could find no general University guidelines or reporting required on their use.

Recommendation

8.44 The University should establish policies on authority and limits for research expenditures funded through discretionary accounts.

Research Outputs

8.45 Research is an expectation of all faculty at UPEI and is accepted as an essential aspect of University functioning. It distinguishes the University from technical training institutions as it substantiates the pursuit of scholarly activity. We found that although research is an expectation the quality, quantity, or extent of commitment to research is not determined and communicated to faculty.

8.46 Because of the unique nature of research and the variety of research projects underway at any point in time, comparison of the quality or quantity of research across disciplines or even within disciplines is extremely difficult, if not impossible. Attempts are made by the Research Development Office and the Graduate Studies and Research Office to maintain an inventory of research productivity by requesting each faculty member to report periodically on the results of their research normally in the form of a listing of publications of articles, periodicals, or books. The short coming of this is that it is generally not current or complete because of lack of response.

8.47 Another source is available for this information. Each faculty member is required to prepare an activity report on his accomplishments as part of the faculty review process either annually or biannually. These reports are currently considered the property of the faculty member and are not used for reporting purposes. However, the activity reports would refer to any research success or involvement and could be used as input for documenting the extent of research activity in process. By summarizing these reports for UPEI as a whole, the type and quantity of research carried out on an institutional basis could be documented.

8.48 The documentation and reporting of the research activity can act as a basis for accountability in relation to the overall research support provided by the University. In addition, research activity is an essential aspect of University functioning and as such should be used in marketing efforts to promote the University as a vital participant in the broader community.

Recommendation

8.49 Information on unfunded research activity should be reported annually to the Research Development Office and summarized with existing information on funded research activity. This information should be reported in the Presidents' annual report to the Board of Governors and included in the University's public accountability report.

Research Expectations

8.50 Productivity or outputs related to research may not be any indication of the dedication of resources to conducting the research. In some cases very significant critical research may take place over a long period of time with few visible outputs during that period. As an alternative measure, the dedication of input resources can be considered. The direct expenditures on research are easily determined from the accounting records. A portion of administrative costs are attributable to administering research activities, however a more significant cost is the portion of faculty members salary that relates to time dedicated to research activities. Some studies refer to a breakdown for University functions of teaching, research and community service, as a dedication of faculty members' time of 40 percent, 40 percent, and 20 percent respectively. Applying this rate, 40 percent of teaching salaries would amount to additional cost of $5 million related to research. There are many factors to consider, however, in determining an appropriate allocation of time to these competing functions, such as the individual faculty member's strengths, the nature of the discipline, and the availability of graduate students. We were told that the annual review process at AVC includes a discussion and negotiation of the amount of time commitment to research expected of each faculty member based on the faculty member's individual circumstances in relation to teaching, services, and clinical commitments. We were informed that research expectations are discussed as part of the faculty reviews for Main Campus, as well.

Recommendation

8.51 In all academic units, expectations related to research should be clearly articulated at the time of the faculty member's review.

9. ENROLMENT MANAGEMENT

Introduction

9.1 Enrolment management is an integrated set of activities to pro-actively address the size and characteristics of the student body. Enrolment management affects curriculum development, teaching and services provided to students. It can lead to greater financial stability and control over revenues thus reducing the pressure for budget reallocations. Enrolment management requires coordination of institutional communications, recruitment, liaison activities, admission procedures, orientation, academic advising, and retention initiatives to enhance enrolments.

9.2 We reviewed the management practices in place for the operation of the Student Development Department. Our examination included a review of the activities of the Department including the process used for enrolment management. As part of the examination we interviewed the Vice-President of Academic Support, reviewed the minutes of the Enrolment Management Committee, reviewed the Senate report on Managing Our Enrolments September 1995, reviewed the Market Research Enrolment Assessment and Marketing Strategy February 1996, reviewed the proposal for Recruitment of International Students and the discussion document on the Reorganization of the Department of Student Development.

Enrolments

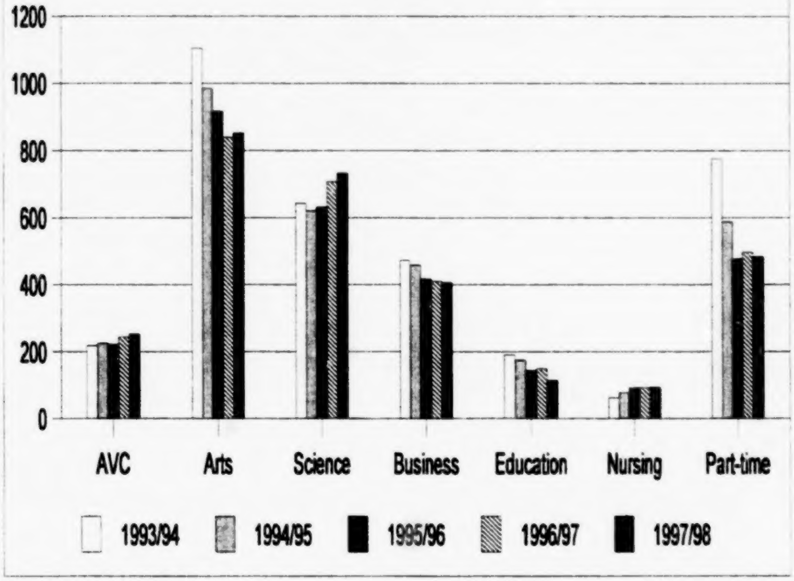
9.3 Enrolments at the UPEI Main Campus have declined from a high of 2,507 in December 1992 to 2,198 in December 1997. During the same period part-time enrolments declined from 951 to 483. When enrolments decline revenues are lost. For example, a decline of 300 students represents a loss of about $1 million. Enrolment is expected to remain static in the future even though participation in post secondary education may continue to increase. The University will not necessarily benefit from the increase because competition for students is growing. There is increased competition from other post secondary institutions such as community colleges, privately owned training institutions, and other universities.

9.4 Exhibit 9.1 indicates the enrolments within faculties at UPEI over the last five years. Full-time enrolments have declined by 240 or 9 percent since 1993-94. Faculties which had reductions, measured as a percentage change, included Arts with a 23 percent decrease, Education with 40 percent and Business with 14 percent. The faculties with increases included Science with 14 percent, Nursing with 50 percent and Atlantic Veterinary College with 16 percent. The change in the

Education program resulted from the reorganization of curriculum and the implementation of the new two-year program. The increase in the Nursing program enrolments reflect its phase in during this time frame. The 16 percent increase in the AVC was due to the decision to admit ten more international students. Part-time enrolments declined by 293 or 38 percent.

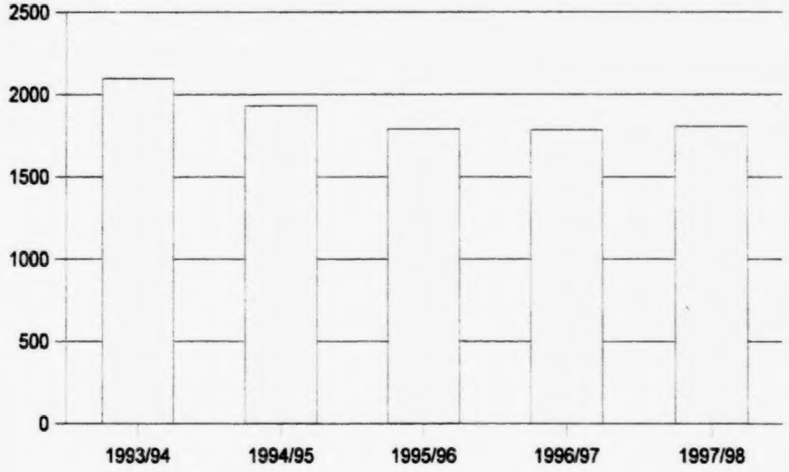
Exhibit 9.1

Enrolments

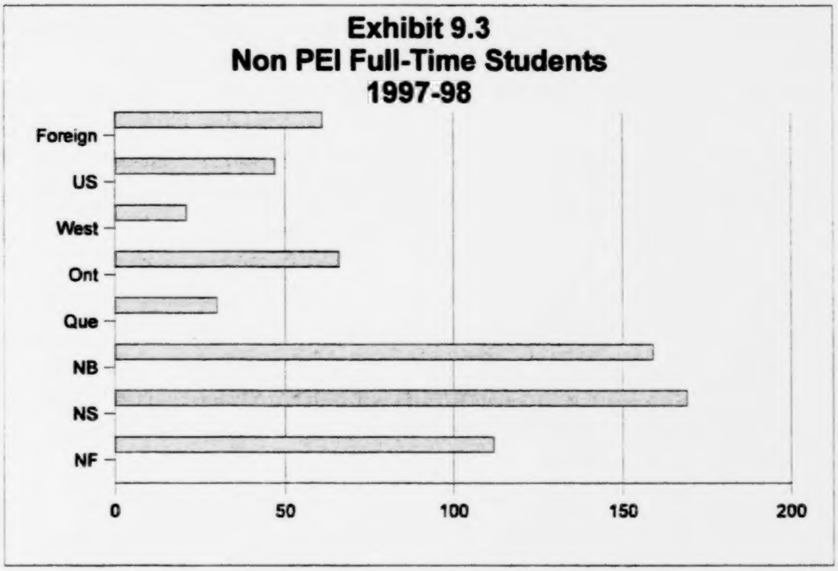


9.5 The number of students enrolled at UPEI from Prince Edward Island are summarized in Exhibit 9.2. There has been a decline of 291 students between 1993-94 and 1997-98. Island students represent 74 percent of the student body compared to 78 percent in 1993-94.

Exhibit 9.2
Full-Time Enrolments-PEI Students
1993-94 to 1997-98



9.6 Since 1993-94, the full-time enrolment of non PEI students has increased by 51 students to 645. The largest increase in non PEI students has primarily come from Newfoundland where enrolments increased 76 percent to a total of 102 students in 1997-98. New Brunswick students represented the largest decrease, declining by 11 percent for a total of 159 students in 1997-98. Exhibit 9.3 summarizes the enrolments of the non PEI students for the year 1997-98.



Enrolment Management Plan

9.7 In order to address enrolment issues, the University needs an enrolment management plan designed to influence the make-up of the student body by directing marketing, recruitment, admission, and retention initiatives.

9.8 The *Coles/Weir* Report indicates that UPEI can gain better control of its future through the application of enrolment management principles. Enrolment management is "undergirded by four components which link together all functions associated with attracting and retaining students. The four components are:

- marketing services, which represent a systematic effort to identify, display, and match college strengths and attributes with the needs, interests and abilities of all students. Activities include; an annual review of college image, the establishment of goals for enrolment and student body composition, and a comprehensive media and publications program;
- enrolment services, which track potential students until their registration, and includes admissions, financial aid services, and registration;
- retention services, which involve academic departments and student affairs personnel in preventing students from dropping out; and

- research services, which summarize other enrolment management activities, and generate data to be used in the yearly adjustment of marketing, enrolment, and retention activities."

9.9 In October 1994, the Senate established the Ad Hoc Committee On Enrolment Management to "develop an enrolment management plan for the University by a process of review, research and consultation; a plan that will take into account issues of enrolment projection, enrolment capping, liaison and recruitment, student retention, the optimum size of the student body and ongoing strategic planning". A report, entitled *Managing Our Enrolments*, was prepared in September 1995. Although the report included eighteen recommendations and an action plan to implement them, it was not formally approved by Senate.

9.10 The *Market Research, Enrolment Assessment and Marketing Strategy* - February 1996, summarized the research undertaken on the University's behalf; determined future enrolment projections; and identified key strategic areas for the University to implement to reverse the downward enrolment trend. The Report recommended the University launch a data based marketing program to maximize closure of enquiries; develop a marketing communication plan and materials to build awareness and interest in UPEI, and launch a new recruitment plan. The Report was presented to the Board of Governors but not formally approved.

9.11 The University does not currently have a plan to address enrolment management. A plan is necessary to set the strategic direction of the University on the desired size and composition of the student body. A strategy is required to come up with a formally approved recruitment and retention plan. An Enrolment Management Committee was established in the fall of 1996 to advise the Vice-President on matters related to enrolment projection, enrolment capping, liaison, recruitment, student retention, and the optimum size of the student body. At the time of our audit the Committee had not completed its work on these matters.

9.12 The first step in the development of an enrolment management strategy is to define the optimum size and composition of the student body. Once this is decided the University can decide on whether the Institution can support that population with faculty, classrooms, and other related resources.

9.13 Traditionally UPEI attracts most of its students from within Prince Edward Island. Islanders make up about 80 percent of the student population. This represents about one quarter of the students graduating from Island high schools. The participation rate is highest from the high schools located closest to Charlottetown. Current trends indicate that participation rates are higher for women than men with this trend expected to continue, and a smaller percentage of Island high school graduates are attending UPEI. These trends need to be throughly investigated to ensure the University's primary source of students is understood so that efforts to attract them can be improved.

9.14 The University is currently looking for funding from the Atlantic Canada Opportunities Agency and the Province to assist in recruiting international students. According to the proposal they would like to attract international students to have a student body in which ten percent of the students are international. Their reasons for recruiting international students include: enrichment of campus life and general education by integrating different cultures into the University; develop opportunities for new partnerships with universities in other countries, including student and faculty exchanges and joint research activities; reduce UPEI's dependancy on government grants and tuition fees paid by local residents by charging additional fees to international students; manage enrolment at UPEI to optimize the number of students and the use of facilities; and increase economic benefits to PEI.

9.15 A recruitment plan would allow the University to focus its resources to attract the necessary students to meets its objectives on the desired size and composition of the student body. The University does not have a formal recruitment plan. They use traditional recruitment methods, such as visits to high schools, as their main initial contact with prospective students. They also use television advertising, informational postcards, and an Internet website to communicate information. In 1997 they used a tele-recruiting program to attempt to improve the number of inquiries and applicants which become registered students. This was discontinued and resources were used for the advertising campaign.

9.16 We found that although student information is accumulated, maintained and reported to certain organizations, it is not specifically analyzed and used in the development of a comprehensive recruitment strategy for the University. For example, detailed enrolment statistics are recorded for each faculty but analysis has not been done to track the retention trends and causes. Information is maintained on the sources of all applications both within PEI as well as other provinces and countries.

However, it appears this information is not linked to specific recruitment initiatives.

9.17 Until this year there was no organized approach to obtaining information on why students did not complete university after initially making the decision to attend. Currently they are in the process of analyzing the student database and identifying the students who left in the last five years. They have separated out the failures and intend to find the reasons the others left. In 1996/97 there were 60 failures of the 194 students that didn't return in 1997/98. It is important to find out why students do not complete their programs of studies at UPEI. This information can be used to make adjustments to programs and services.

9.18 According to the discussion document, *Practical Steps to Managing Enrolment at the University of Prince Edward Island*, dated August 1998, the solutions to the University's problems related to declining enrolment would include: a complete marketing approach with advertising, recruitment materials, web site maintenance, and special campaigns; domestic recruitment supported with marketing, increased administrative support, renewal of academic programs, and a review of the use of scholarships and bursaries to attract and retain students; international recruitment using an international recruitment strategy, an international recruitment officer, an international student advisor and international marketing; a strategic planning exercise to determine the nature and role of continuing education in the future of the University, and the development of a retention strategy including a survey of students who did not complete their programs and the development of processes to assist students who need assistance.

Recommendation

9.19 The Enrolment Management Plan should be a priority and be developed as soon as possible. This Plan should set the desired size and composition of the student body; include a recruitment management plan, require performance information on the achievement of recruitment plan objectives, and include retention strategies.

10. OFFICE OF THE REGISTRAR

Introduction

10.1 The Office of the Registrar administers the academic regulations as published in the University Calendar. The Office is responsible for the admission of students, maintenance and handling of all academic records, and the assessment of students' qualification to graduate. In addition, the Registrar performs the role of Secretary to the University Senate and participates on numerous other committees of the Senate, President and Vice-President as follows:

Senate
- Admissions, Scholarship and Degree Committee;
- Academic Review and Planning Committee;
- Curriculum, Course Change and Calendar Committee;
- Student Discipline Appeals Committee;

Presidential
- University Space Committee;
- Convocation and Installation Committee;

Vice-Presidential
- Enrolment Management and Recruitment Committee;
- Vice-President's Academic Administrative Committee;
- Administrative Computer Committee;

Faculty
- Deans' Academic Honors and Awards Committee;
- Atlantic Veterinary College Admissions Committee;
- Faculty of Education Admissions Committee;

Other
- Orientation Committee;
- IODE Scholarships Committee;
- Lester B. Pearson College Selection Committee; and
- Student Services Awards Committee.

10.2 The Registrar reports to the Vice-President of Academic Support and has a close working relationship with the Accounting Office as well as the Department of Student Development. The functions of the Registrar's Office are inter-related with the Department of Student Development which is responsible for student recruitment.

10.3 The Registrar's Office is responsible for accumulating, maintaining, and safeguarding student information. An extensive amount of information is recorded on each student and stored in a computerized format. The Registrar's Office enforces the university policy on confidentiality of student information which is published in the Calendar. Statistical information is made available to the Maritimes Provinces Higher Education Commission, Statistics Canada, other universities, the Board of Governors and other bodies.

10.4 There are ten employees in the Office to carry out responsibilities for both Main Campus and the Atlantic Veterinary College (AVC). The budget for the Office amounts to approximately $590,000 annually, with 80 percent of that related to salary expenditures. The AVC provides approximately $40,000 through its budget to support the operation of the Registrar's Office each year.

10.5 The Office has undergone two comprehensive reviews over the past few years in addition to consideration in the *Coles/Weir* study and the *Living With Paradox* organizational review. A self study was carried out by the Office in 1995 which resulted in eight recommendations.

10.6 In 1998 an external review was initiated by the President in response to a request advanced jointly by the Office of the Registrar and the Department of Alumni, Development and Public Relations to acquire the services of a staff person to take responsibility for coordinating all activities related to scholarships, bursaries, and academic prizes. As planning began for the review, the scope was expanded to embrace all aspects of the operation of the Registrar's Office. The review was conducted by a committee with representation from two Maritime universities as well as a former member of the UPEI administration. Several factors were listed as the reasons for the initiation of an external review at the time. These are:

- increasing workload arising from new programs and new types of programs;
- emerging information and communication technologies relevant to the core functions of the Office;
- continuing fiscal constraint making it impossible to provide additional operating resources;
- rising expectations among students for service; and
- pending retirements from key positions in the Registrar's Office.

10.7 We assessed the management practices, procedures, and controls in place in the operation of the Registrar's Office. Our examination consisted of interviews with the Registrar and senior staff, a review of the 1995 Self Study and 1998 External Review, as well as review of the processes in place over admissions, degree audits, awarding and monitoring of scholarships, bursaries, and academic prizes, and maintenance of student information.

Goals and Objectives

10.8 We looked for the Office of the Registrar to have clearly stated goals and objectives linked to the strategic plan of the University. An extensive amount of planning has been carried out over the past few years in relation to the Office of the Registrar but there is no overall statement of goals and objectives for the Office.

10.9 We were told that documented goals and objectives have not been defined for the Office because the primary goal is understood; that is to administer the academic policies and regulations established in the University Calendar. This primary goal is administrative and compliance oriented but there is another aspect to the function of the office and that is service delivery. Although service delivery objectives are not stated, they are considered important. The Office has implemented a computerized degree audit system and is making plans for a remote on-line registration system. These system changes are designed not only to improve accuracy and compliance but also to improve the convenience and turnaround time for enhanced service delivery, and to remain competitive with other universities in the region.

10.10 The external review was conducted through surveys of administrative staff and faculty, numerous interviews, and an on-site visit. The Committee presented a report including 16 recommendations resulting from the review. The recommendations focused on reliance on computerized technology, elimination of paper card files, full implementation of the degree audit system and establishment of an appropriate computerized registration system. As well, there were several recommendations focusing on reorganization of work responsibilities within the office, restructuring of the office layout, implementation of a more service-oriented focus, and a review and revision of correspondence to students to promote a positive image of the university. In relation to administrative units, the Committee recommended development of a short and long term plan for systems development, a stronger link with student recruitment and the centralizing and streamlining of the tracking and awarding of scholarships.

10.11 UPEI, consistent with other universities across the country, is facing increased competition for enrolment due to a number of factors including the development and use of technology for distance education and the proliferation of private training facilities. These pressures impact many aspects of university operations and must be considered by Senior Management in developing strategies for the future of the University. The Office of the Registrar, in its unique role in student admissions and recruitment, provides the first contact with the University for many students. As previously indicated, reviews have been conducted and recommendations have been made which impact on service delivery. The Office has responded with an implementation plan. However, in addition to the implementation of specific recommendations, more needs to be done to address the problems noted in the 1995 and 1998 studies.

10.12 The Registrar prepared a response to the report which listed the intended action, the budget implications, and the time frame for implementation. The implementation plan spans from the fall of 1998 to the spring of 1999, with only the development of a procedures manual delayed until the fall of 1999 in order to give consideration to the impact of changes implemented over the current year. At the time of our audit the Registrar's response and implementation plan had not been presented to the Senior Management Group. Subsequent to our audit we were informed that an implementation plan was approved by the Board of Governors.

Recommendation

10.13 The Office of the Registrar should document the goals of the Office addressing both the administration of academic regulations as well as service delivery expectations.

Admissions

10.14 The Office of the Registrar has responsibility for implementing the admission requirements as set by the Senate of the University under authority of the University Act. Each application is reviewed and evaluated against the requirements of the Faculty or School as follows:

- **Bachelor of Arts or Business Administration** - requires an average of 65 percent in a University Preparatory Program including English, Mathematics and three acceptable electives.

- **Bachelor of Science** - requires an average of 65 percent in a University Preparatory Program including English, Mathematics, two sciences, and one acceptable elective. If grade 12 chemistry is not one of the sciences then grade 11 chemistry is required.

- **Bachelor of Music** - in addition to the University entrance requirements for a Bachelor of Arts, candidates require a minimum Royal Conservatory of Music grade VIII in any instrument or voice and Royal Conservatory of Music grade II theory as demonstrated in an audition, a theory and ear test, and an interview.

- **Bachelor of Nursing** - requires 70 percent average in grade 12 academic courses of English, Mathematics, Chemistry, one other science, and one other academic elective. A minimum of 65 percent must be achieved in each of Mathematics, English and Chemistry.

- **Bachelor of Education** - requires a degree from an approved registered university with an overall average of not less than 70 percent in the last 20 courses; at least six semester hours of credit in English; and at least three semester hours of credit in Developmental Psychology. In addition, the application must be accompanied by a one page personal statement and three letters of reference.

10.15 Enrolment is limited for the Nursing and Education Programs. For these programs the Registrar's Office provides the preliminary approval based on course requirements and forwards the acceptable applicants on to the admissions committee within the respective faculties for further screening and acceptance. All applications from other provinces, as well as other countries, must be assessed for course equivalency to the secondary school curriculum in Prince Edward Island.

10.16 Applications for Doctor of Veterinary Medicine are handled in a slightly different manner. The AVC Business plan provides for enrolment as follows:

	Annual Enrolment 1997/98
Prince Edward Island	10
New Brunswick	13
Nova Scotia	15
Newfoundland	2
Sub-Total	**40**
International Students	20
Total	60

10.17 The minimum entrance requirements include 20 university credits consisting of two mathematics including one statistics, four biology including genetics and microbiology, three chemistry including organic chemistry, one physics, two English including one English composition, three humanities and social sciences, and five electives. In addition, the applicant is required to have at least 80 hours of work experience including 40 hours in a small animal practice and 40 hours in a large animal practice. All applications come into the Registrar's Office. The averages are calculated and the candidates are ranked. The list of candidates is then sent to the AVC Admissions Committee which approves a short list of applicants who are further assessed by means of an interview and the writing of an essay. A recommendation for offers of admission is then forwarded to the Dean for final approval.

10.18 In 1997-98 there were 1,659 applications processed by the Registrar's Office for undergraduate programs not including Doctor of Veterinary Medicine. Of these, 92 were rejected and 657 students arrived to attend first year. Sixty-seven of these applications were from foreign countries. In addition, approximately 235 applicants were recommended by the Registrar's Office for further assessment by Admissions Committees of AVC and Education. Of these, 70 were accepted to Education and 60 to Veterinary Medicine.

10.19 The Admissions, Scholarship and Degree Committee of the Senate hears any appeals of rejected applicants. Minutes are not kept of these meetings but we were told the Committee normally receives approximately six admission appeals per year. As a result of its work, the Committee makes recommendations to Senate for revisions of admission policies where necessary.

10.20 We reviewed the admissions process to determine if adequate controls and procedures exist to ensure the University admission standards are consistently enforced for all applicants. In addition to the admission requirements published in the Calendar there is a list of pre-approved exceptions authorized by the Admissions, Scholarship and Degree Committee. These have been developed over time and are applied in the interests of expediency in processing the applications. For example, if applicants do not meet certain requirements they may still be accepted into the program with a full course load and an academic warning or based on different circumstances they may be accepted with a limited course load and an academic warning. The risk in applying exceptions is that students who follow the requirements as published in the calendar may not apply because they do not meet the published requirements when in reality they would be accepted based on these pre-approved exceptions. The calendar does state, however, that special consideration will be given in certain circumstances. In 1997-98, there were 55 students admitted under an exception who were given academic warning and their performance was reviewed after first semester.

Degree Audit Process

10.21 The Registrar's Office is responsible for ensuring that degrees and diplomas are awarded in accordance with the academic requirements of the University. Each eligible student must be reviewed periodically to identify, on a timely basis, any concerns regarding qualification for the degree. The Office implemented a computerized degree audit system in late fall 1996 which has been running parallel with the manual system since that time to allow identification of system problems. Any problems identified with the parallel system testing will be corrected and the manual system eliminated early in 1999.

Scholarships, Bursaries, and Awards

10.22 The awarding of scholarships, bursaries, and academic prizes occurs through the Registrar's Office with approval through the Admissions, Scholarship, and Degree Committee of the Senate. Exhibit 10.1 illustrates the total expenditures on scholarships, bursaries, and awards over the last five years and the source of the funding.

Exhibit 10.1
Scholarships, Bursaries and Awards

	1997-98	1996-97	1995-96	1994-95	1993-94
Provided by:					
Operating Fund	$533,000	$523,000	$493,000	$527,000	$506,000
Endowed and Special Purpose Accounts	215,000	176,000	165,000	149,000	145,000
Total	$748,000	$699,000	$685,000	$666,000	$651,000

10.23 There are three departments involved in the administration of scholarships and awards. The Alumni Office receives donations including any terms and conditions attached and it maintains donor records. The Accounting Office administers the endowment fund and provides the estimated budget available to be awarded in a particular year, based on funds available through the operations budget and the endowment accounts, and processes the awards. The Registrar's Office, through the Senate Committee makes the awards to students.

10.24 The total funds budgeted for scholarships, less the commitments for renewable scholarships, leaves the funds available to be awarded as entrance scholarships in a given year. Eighty percent of the total funds available for entrance scholarships are awarded to Island students, while 20 percent are awarded to non-Island students. The scholarships for Island students are allocated among the senior high schools. For each school, the University uses a formula to rank the student applicants based on grade average, extracurricular activities, and course difficulty.

10.25 The entrance scholarships consist of $3,500 and $3,000 renewable scholarships, as well as, one-time entrance scholarships of $1,500 and $1,000. The awarding of scholarships is further complicated by the timing of offers. Scholarships are used as an incentive to select UPEI over other universities and therefore the offers must be made early in the process. Maritime universities have agreed to release scholarship offers on May 1, each year. Knowing that not all offers will be accepted, UPEI must set the amount of scholarships offered taking into account historic acceptance rates. The actual amount of scholarships accepted will fluctuate year to year.

10.26 We noted that the amount paid out of endowed and special purpose funds for scholarships was small compared to the total fund balances pertaining to scholarships which were approximately $4.8 million at the beginning of the year. A presidential policy was established in 1993, to expend not more than five percent of opening balances of endowed and special purpose funds each year for scholarships or awards in order to preserve the capital base. Application of this policy would mean approximately $240,000 could have been paid in scholarships in 1997-98 from these funds. The actual amount paid out was $215,000. Actual interest earned on these accounts amounted to $450,000 in 1997-98. The average earnings of these accounts over the last four years amounted to 8.5 percent. It is important for recruitment purposes that the maximum amount of scholarships and bursaries are made available to potential applicants.

10.27 At the time of our fieldwork a database was not available to link the terms and conditions of the endowed and special purpose funds to the accounting records and balances available. This coupled with limited coordination between the Alumni Office, Registrar's Office and Accounting Office means that potential awards may be missed. During the year new accounts may be added and balances may fluctuate. In addition, some accounts have restrictive terms which means suitable recipients may not be identified every year. For these reasons endowed and special purpose accounts must be monitored. The External Review Report identified the need for better coordination between the departments involved in awarding scholarships. Subsequent to our audit work, we were informed action has been taken to establish a database of these accounts.

Recommendations

10.28 Endowed and special purpose accounts which are inactive should be reviewed with a view to consolidation in order to maximize the number of scholarships awarded as long as the original terms of the endowments are followed.

10.29 A database of all endowed and special purpose accounts should be created and the accounts monitored to ensure available amounts are paid out as required.

11. FUND RAISING

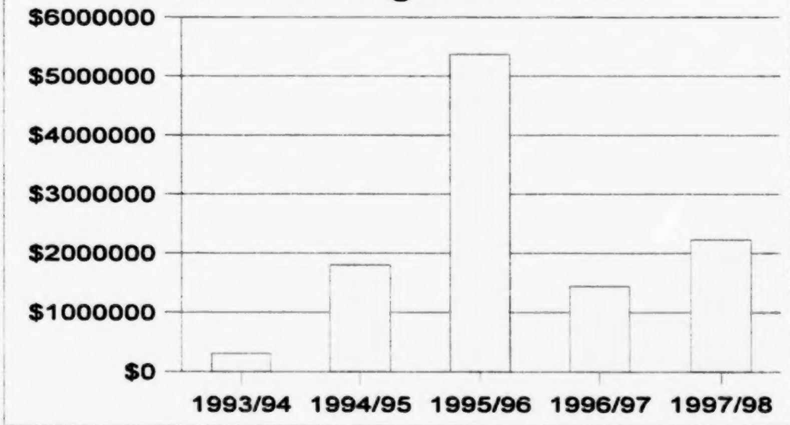
Introduction

11.1 The Department of Alumni, Development and Public Relations reports to the President. The Department has responsibility for alumni administration, fund raising, public relations, and support to the Alumni Association.

11.2 Fund raising for the University includes the annual giving campaign which uses telemarketing and mailings; planned giving in the form of bequests, life insurance, scholarship funds and awards; and major gifts where funds are raised through large gifts and campaigns. A summary of funds pledged and received for the last five years is presented in Exhibit 11.1. Substantial funds were raised in 1995-96 as a result of the "Potential Within Campaign" to build and renovate the science facilities.

Exhibit 11.1

Total Funds Pledged and Received



11.3 A breakdown of funds pledged and received for 1997-98 is shown in Exhibit 11.2

Exhibit 11.2
Schedule of Funds Pledged and Received
1997-98

Corporate	$ 400,046
Foundations	510,500
Friends	1,110,724
Organizations	48,509
Alumni	123,394
University Community	33,605
	$2,226,776

11.4 The role of public relations is to provide a common, consistent, relentless message to ensure the University is presented with a consistent profile. The Department's activities include:

- publishing the Alumni Magazine and the President's Annual Report;
- providing services in a consulting capacity to the rest of the campus;
- participating in media relations by delivering the communications which go to the public; and
- maintaining the donors database and ensuring donations are collected.

11.5 We reviewed the management practices in the Department of Alumni, Development and Public Relations. Our review included an examination of planning processes, fund-raising initiatives, and financial controls. As part of our examination we interviewed the Director of the Department of Alumni, Development and Public Relations; reviewed the Gilmour Report on Recommendations Concerning Advancement Services; and reviewed the Framework for Advancement Services.

11.6 The Gilmour Report - December 1996, provided recommendations concerning advancement service which included alumni relations, public affairs and development. The Report recommended that UPEI hire an experienced fund raiser and hire a person to bring the units together and plan long term. The fund raiser was hired in May 1998.

11.7 The Framework for Advancement Services - June 1998, outlines the changes required to create an annual fund raising and marketing plan that will realize an annual fund raising goal of $1 million in private sector funding within three years. An integrated relationship marketing strategy is currently being developed but is not yet approved.

Planning

11.8 The *Charting Our Future* strategic planning document discussed the importance of an effective public relations program. The document stated:

> "An effective public relations program is a means of achieving the University's goal of being recognized as an educational institution that provides scholarship, research, and community service. It should also be recognized as contributing to the cultural and economic life of the community. A positive image of the University improves the environment for public funding and private fund raising, thus affecting the financial stability of its academic programs. The stature of the University will also be a major factor in the recruitment and retention of qualified students, staff and faculty... the aim of good public relations is to effectively anticipate and respond to external forces while simultaneously educating the public about important goals, purposes, outcomes, and benefits of post secondary education."

11.9 The strategic plan identified two goals related to public relations: promote the University to all its constituencies and promote effective two-way communication involving all of the University community including alumni.

11.10 The Board of Governor's approved the proposal for the Framework for Advancement Services at UPEI in May 1997. The recommendation of the report was to hire a senior fund raiser to work with the Chancellor, the President and the Board on national, corporate, public and foundation fund raising. The position was filled and employment commenced in May 1998.

11.11 The University is in the process of developing a three-year integrated relationship marketing strategy to achieve the specific fund-raising goals of maximizing funds raised from private sources and providing relief to the University's operating budget. It will also satisfy the general goal of promoting the University throughout Prince Edward Island and across Canada for the purposes of increasing funding, attracting and retaining students and developing a positive institutional image. The Integrated Marketing Relationship Strategy is expected to provide a seamless relationship between public relations and fund raising.

11.12 This strategy will represent a move away from the capital campaign approach, to an annual fund-raising and marketing plan aimed at achieving an annual fund-raising goal of $1 million within three years.

11.13 The Department does not currently have clearly stated goals for its operations although the development of goals for each unit of the Department is included in the Framework for Advancement Services (currently Alumni, Development and Public Relations) planning document dated June 1998. The Director indicated that the primary performance indicator for the Department on its achievement of goals will be the amount of funds raised in a year.

Recommendation

11.14 The integrated relationship marketing strategy should be presented to the Senior Management Group and to the Board of Governors for approval.

12. PHYSICAL PLANT

Introduction

12.1 The mission of the Physical Plant Department is to provide a safe environment to work and study. The Department has responsibility for 140 acres containing 22 buildings and 12 acres of parking lots. An on-site heating plant, operated by Trigen Energy Corporation under a 30 year lease, provides heat energy to all buildings on campus. Physical Plant has approximately 55 full-time staff plus 20 part-time workers including students. Department staff include: service workers assigned to clean buildings, as well as trades persons to carry out electrical, plumbing, carpentry, painting and general maintenance duties. Administrative duties are performed by the Director, the Secretary, and a General Foreman. In 1997-98 the department incurred expenses totalling $5 million which includes $1.5 million for the Atlantic Veterinary College and $.5 million for the three residences. The Department reports to the Vice-President of Finance and Facilities.

12.2 We reviewed management practices for the operations related to Physical Plant. Our examination included a review of the assignment of responsibility for Physical Plant activities; the management information available for each major facility; space allocation plans; and space utilization information including usable space assignment, usage, and records storage. We interviewed the Director of Physical Plant, staff of Physical Plant, and staff of other departments involved in space assignment; reviewed the report of the Association of Physical Plant Administrators (APPA); obtained lists of staffing, capital repair projects, and deferred maintenance; summarized and analyzed costs for heat, electricity, overtime and the alteration and renovation costs for 1997-98.

Planning and Space Management

12.3 The Physical Plant Department does not have responsibility for managing the space inventory or assigning space to users. The overall responsibility for this rests with the Vice-President of Finance and Facilities although several departments are involved. A complete inventory of all space including the current usage does not exist. A summary by building of the square footage assigned to classrooms, labs, administrative offices, and other uses was created during 1995. The data was entered into a computer program, however, the program does not generate information about building occupancy by departments. This software was purchased with the intention that it could be used to provide the space inventory information requested by the Maritime Provinces Higher Education Commission in their 1994 space survey document. In addition, the university intended to create an inventory listing of space for their own management purposes. Although the space in all buildings has been measured they have not been able to produce useful reports on space usage.

12.4 A Space Committee was formed in 1993, and reconstituted in 1996, which included: the Registrar; Vice-President of Finance and Facilities; Director of Physical Plant; plus representatives from the President's Office, Student Union, the Board of Governors Building and Grounds Committee, and each of the faculties. The Committee's terms of reference include responsibility for long-range space planning and reporting annually to the President. The Committee is to discuss space requests and administrative and academic units are to report annually to the committee on space under their responsibility. The Committee would then determine whether any reallocation of space among units is warranted. The final authority for space decisions rests with the President but the advice of the Committee is critical.

12.5 The Committee has met infrequently and no annual reports of space usage have been submitted to the President as planned. The most recent meetings, during 1996 and 1997, were held to consider the best deployment of space within the Cass, Duffy, Memorial Hall and Dalton Hall buildings. During the past two years $2.4 million was spent to renovate these four buildings. The renovations were made to solve specific problems within certain departments. The Committee did not fully consider the overall impact on space usage across the campus. For example, the renovations included changes in the number and capacity of existing classrooms in Cass, Duffy, and Memorial hall but there was no evaluation done of classroom usages and future needs. The Committee has made pragmatic recommendations to the President based for the most part on information from Departments with demonstrated problems, however, they were not ranked in terms of urgency, cost and impact as part of an overall space plan.

12.6 A space plan would include: a full inventory of existing space and how it is used, a projection of future needs which includes enrolments assessment, space related problems in specific buildings and potential solutions. The plan should identify a sequence of steps which over the long-term will resolve existing problems. As noted above, some of the preparatory work has been done and the intent is to create a plan to the year 2000 and beyond. The last plan was created in 1990 and according to the Vice-President of Finance and Facilities some issues identified were resolved by the recent renovations made to the Duffy, Dalton Hall, Memorial Hall, and Cass buildings. We recognize that the University has been made aware of these issues through APPA and Committees, however, the problems are still outstanding.

Recommendations

12.7 A complete space inventory should be prepared which indicates current usage and space assigned to particular departments.

12.8 Regular reporting of space usage should be implemented in accordance with the Space Committee's terms of reference.

12.9 A space plan should be completed by the Space Committee and approved by the President.

Space Assignment

12.10 Classroom assignment decisions are the responsibility of the Office of the Registrar. Staff prepare a tentative timetable in June based on previous years enrollments plus input from each department indicating class sizes and preferred time slots. Revisions are made up to the start of classes in September. A computer program is used to assist in the initial assignment of classrooms, however, the primary record used to manage assignments is a sheet for each classroom indicating weekly class schedules. Staff control changes by limiting access to the binder containing class schedules.

12.11 Administration of classroom bookings, for non-academic use, is handled by several departments resulting in a number of inefficiencies. Rooms are booked for non-class use through student development. During the academic year, the Office of the Registrar is contacted to confirm room availability, before a booking is confirmed. During the two summer sessions Extension Department staff do the classroom bookings. In addition, staff of AVC Deans office administer some bookings for the AVC facility. There is no centralized database of room bookings. A computer program is used to generate a booking confirmation, but summary reporting is not possible. Copies of room bookings are sent to the person having responsibility for the particular facility being booked. A separate computerized system is used to manage residence and conference services.

12.12 There are no formally approved policies and procedures relating to the use of campus facilities by staff, faculty, or off campus users. For example, although a list of rates by room is maintained in the departments involved in room bookings there is no definition of which organizations or individuals should be charged for room bookings. We were advised that if faculty or staff call to book a room there is no charge levied, however, if someone from outside the University calls to book, they are charged. We were also advised that few bookings result in a charge being levied. Total room rental revenue for 1997-98 was $1,500.

Recommendation

12.13 The administration of room bookings should be reviewed with the intent of reducing the number of duplicate systems and formulating clearly defined policies regarding access to campus facilities. A single database system to manage all room assignments should be considered.

Operations of Physical Plant

12.14 In addition to regular maintenance activities, Physical Plant staff carry out smaller alterations and renovations. The Director is responsible for supervising the larger projects which are done by contractors. In 1997-98 a total of $1.7 million was expended on alterations and renovations which included labor costs of Physical Plant staff totalling $72,000. We found Department staff are assigned to alterations and renovations without evaluating the impact on other regular maintenance activities. For example, when costing each potential alteration or renovation project the Director estimates the cost of a contractor doing the work including labor, material, and overhead and compares it to the cost of doing the job in-house where only the incremental material costs are included. The assumption is that minimal additional overhead or labor costs will be incurred. The Director indicated a higher level of work than normal has been done over the past two years by Physical Plant staff. A summary of potential capital projects as of March 1998 indicates almost $300,000 per year could be spent on over thirty five projects. The decision on whether to proceed with a project is made by the Vice-President of Finance and Facilities.

12.15 Appropriate information for decision making is lacking. For example, the work order system being used does not enable adequate monitoring or reporting of jobs assigned. Staff are given the only copy of work orders which are printed from a computer system and staff are asked to return them when the job is complete along with an indication of the time spent on each job. The weakness is that the work order may get lost, misplaced or forgotten and there is no regular monitoring to see that the job has been completed. In addition, the time recorded by staff on jobs is not reconciled against the time they worked.

12.16 The computerized work order system is not providing adequate information for the Department. The computer system has a limited capability to do summary reporting on work orders. In addition, actual costs of materials or labor are not entered into the system. The labor times and materials costs are noted on the work orders but not the computer system. This also contributes to the failure to produce useful reports on a regular basis. In order to provide information on costs by building to the APPA, the Director had to manually review files of work orders. Universities report their costs of maintenance to APPA who then reports the information back to the Association members. We conclude, there are inadequate controls to ensure all work orders get completed and the time used is recorded on the computer system.

12.17 During 1996 the APPA performed an external review of the Physical Plant operations. Their report disclosed problems with job assignment and monitoring. The report suggested that the lack of a comprehensive work order system and insufficient supervisory resources has led to crisis responses resulting in an unacceptable level of overtime being paid. We obtained data on the overtime paid for 1997-98. A total of 3,900 hours of overtime was paid costing $106,000. Most of the overtime was paid to a small number of employees. For example, six employees were paid approximately $50,000 of the total overtime dollars and 40 percent of the overtime hours. The Vice-President of Finance and Facilities has indicated they will be addressing the concerns raised in the APPA Report in the near future.

12.18 The budgets for the residences and Atlantic Veterinary College include labor costs of Physical Plant staff because these two units require measurement of all their costs. To calculate a portion of the residence's labor costs a straight percentage of Physical Plant labor costs (excluding Atlantic Veterinary College) is used. However, in response to complaints by the Manager of Residence and Conference Services the amount transferred has been reduced. In 1997-98 the transferred amount was $93,000 and in 1998-99 it is budgeted at $78,000, or seven percent. We were advised by the Vice-President of Finance and Facilities the amount was initially based on square footage and is subjective. The method of allocating labor costs to residences from Physical Plant should be more closely linked to time actually spent on residences. For example, the amount of labor time spent on the residences, if it was available, would be more objective. We also noted the Manager of Residence and Conference Services hires his own cleaning staff in the summer who work side by side with Physical Plant cleaners. Some conflicts over the area of responsibility have occurred. In addition, the fact that these two groups of workers report to different supervisors has further confused the issue.

12.19 There was concern from facility operators that there was a lack of communication by Physical Plant to those on campus requesting their services. This has led to the perception that response times for service are too long. Those requesting service are unsure whether any action has taken place due to the lack of feedback. In some cases materials may be on order which causes delays, however, this is generally not communicated to users. Physical Plant staff prioritize work assignments based on safety, and whether the maintenance affects the building exteriors, systems, or interiors of buildings. Some jobs such as those relating to the building interiors may have low priority. The degree to which the level of service is acceptable or not is unclear due to a lack of useful work order information. For example, Physical Plant staff indicate inadequate notice for jobs results in inefficient work assignments, however, no summary data is available to evaluate its significance.

Recommendations

12.20 The decision to use Physical Plant staff on alteration and renovation projects should be based on a more complete evaluation of its affect on normal maintenance activities.

12.21 A work order system should be implemented which accumulates time and costs spent on jobs, and enables monitoring and reporting of results.

12.22 The amount of overtime paid to employees should be more closely monitored to ensure staffing levels are adequate and costs are minimized.

12.23 The Physical Plant costs transferred to Residence and Conference Services should be based on actual labor costs incurred.

12.24 There should be improved communication between Physical Plant staff and users making requests for services.

Other

12.25 Physical Plant staff monitor the heat and electrical energy usage for all campus buildings. The costs incurred for the Atlantic Veterinary College and Residence and Conference Services are calculated and transferred to their budgets. For heat energy the usage is obtained from Trigen billing records which provide a breakdown of all usage by building. The billing records for 1997-98 indicate that the Atlantic Veterinary College uses approximately 40 percent of the total heat energy which costs $450,000, however, only 14 percent or $170,000 was transferred. This is caused by using a charge out rate which is too low to fully cover all the fixed costs which are paid to Trigen. The Director indicated that the Atlantic Veterinary College are charged lower costs because they contributed revenue towards the construction cost of the heating plant, before the Trigen lease was negotiated. This is no longer applicable and the actual costs should be allocated. In preparation for the third funding agreement, the facilities' costs charged to AVC are under review.

Recommendation

12.26 The Atlantic Veterinary College should be charged with their actual heating costs.

13. COMPUTER SERVICES

Introduction

13.1 The Computer Services Department supports the academic, administrative, and research computing needs of the University. The Department, consisting of 16 staff members, is organized into 5 technical support groups managed by the Director of Computer Services and 2 senior analysts. The technical support groups are: Administrative Systems; End User Support Services; Novell Networks; Hospital and Laboratory Services; and Equipment and Network Maintenance Support.

13.2 The Computer Services Department serves approximately 2,500 full-time students, 500 part-time students, over 600 faculty and staff members and various clients (estimated at over 1,000). The current annual operating budget for the Department is set at approximately $1 million which includes staff, facilities, hardware, software and telecommunications.

13.3 Information Technology services are available campus-wide 24 hours a day, 7 days a week throughout the year. The growing number of IT services provided by the University, provides the technology to achieve the mission of the University and meet the processing needs of students and faculty members.

13.4 The purpose of our review of the Computer Services Department was to assess the delivery of IT services to students, faculty and staff. Our objectives were:

- to understand the effect of IT on the key business and student support processes;
- to identify key performance indicators within IT processes that support the University's mission and educational support objectives; and
- to assess the effectiveness of the overall IT process in meeting the University's business and educational support needs.

13.5 Our approach followed an information gathering and evaluation methodology. Our review included a comprehensive interview process with key IT departmental personnel and an assessment of procedures used in the delivery of services. Our review addressed the following areas:

- Planning the information technology environment;
- Developing and delivering information technology solutions; and
- Operating the information technology environment.

Planning the Information Technology Environment

13.6 Planning in the IT environment is multilevel, directed by the Computer Services senior management consisting of the Director of Computer Services, the Oracle Team and Systems Manager, and the Manager of Administrative Systems. The planning process also includes the standing IT Committee which includes representation from faculty, staff, IT support groups, students and the veterinary hospital.

13.7 The planning function is pragmatic, forward looking and responsive to the needs raised by students, faculty and staff. Activities within the Department are directed towards addressing the mission, objectives and detailed targets of the IT plan. The strategy is that the four functional areas of Learning, Teaching, Research, and Administrative Decision-Making are to be addressed by technological innovation. The IT plan is monitored by senior management at monthly IT management meetings and by the standing IT Committee. There are also other committees which deal with planning including: AVC Computer Committee, Administrative Computer Users Committee, WWW Committee, and the Y2K working group.

13.8 The Department develops annual equipment, facility software and telecommunications plans which are based on the University's overall mission and the Department's specific objectives. Management meets with key users to determine requirements and all requirements are documented in an annual work plan. In addition, the Department developed a multi year plan in 1998 highlighting all long term projects.

Developing and Delivering Information Technology Solutions

13.9 At the practical delivery level, each of the five technical support groups within the Computer Services Department develop plans that address user requirements and respect the University's mission and strategic directives. We observed that each group within the Department has successfully delivered system upgrades and service innovation while minimizing costs.

13.10 Management, in order to achieve the University's mission, has streamlined the organization to provide improved services while limiting impacts of cost increases. An example of this is the provision of in-house equipment maintenance at a much reduced cost from obtaining similar services outside on a contract basis.

13.11 A collaborative initiative between UPEI and Holland College - “Information Technology in Education Centre” (ITEC) has been initiated to use IT facilities to provide education on a broader level to more students at less cost.

13.12 User committees, with Computer Services Department support personnel, have developed a formal process of project requirement definition and service delivery. Frequent communication exists within user committees as well as regularly scheduled planning meetings to review project progress.

13.13 Our review disclosed that a clearly defined process of project progress review exists. However, we did observe that while users approve project requirements, there is no closure on project scope and inevitably the scope expands. While we recognize that speed and ease of implementation of projects are desirable, there needs to be some form of user approval when the scope of projects expand.

Recommendation

13.14 Management should improve the process for establishing and changing the scope of projects so that changes are approved by both users and IT support personnel.

13.15 The Computer Services Department continually monitors the IT industry to be aware of and knowledgeable about available software that would meet the needs of user groups. Decisions to make or buy IT solutions are part of the decision making process to meet IT needs. An example of this is the library system that was purchased and installed, rather than attempting in-house development. Management has indicated that the costs were reduced by purchasing rather than developing the library system software.

13.16 The software at UPEI is commonly used, readily available, and proven reliable within the industry and the University community. The support staff in the Computer Services Department are familiar with the current application software systems and are up-to-date with software supplier directions and trends.

13.17 We observed that while software implementation is fostered by proven update modules, the support personnel have been less formal with implementation procedures, documentation, and software version control. Program changes are generally performed by designers and the database administrator and as much as possible there is a division of responsibilities to ensure appropriate security and internal control requirements are in place. We observed that systems documentation for older systems is outdated and as the Department grows the requirement for adequate systems documentation increases.

Recommendation

13.18 Systems documentation should be updated to preserve knowledge of the systems, thereby allowing effective and continued systems support.

13.19 Business cases for IT projects are prepared and adapted by departments, and IT systems personnel act as advisors. The anticipated benefits are not always defined in measurable terms. This results in no formal review of the benefits of projects other than a review of immediate results. A comparison of actual project costs/benefits achieved to the original business case to measure success of the project is not done.

Recommendation

13.20 There should be a comparison of the actual benefits achieved for IT projects, six months to a year after implementation, to the benefits projected in the original business case. Consideration should be given to performing formal post implementation reviews for projects.

Operating the Information Technology Environment

13.21 Technological software and network innovation over time, have enabled end users to directly operate their applications from their office sites. The Computer Services Department has assumed an operational role that focuses more directly on ensuring that hardware and software are operating effectively.

13.22 The Department provides file back-up, operational support functions, and ensures data access functions are operational. Presently, the IT systems are operationally stable with acceptable "up-time" statistics indicating student and faculty network availability of over 98 percent annually.

13.23 The Computer Services Department support groups provide system and application support to end users on a consistent and on-going basis. The stability of systems mitigates the need for end user training since most users are familiar with the software applications. However, when required, users receive training on appropriate equipment and applications to address any recurring problems.

13.24 The organization of the technical support groups has been adjusted to meet the changing needs of the University in that student access and support to expanded research material is now a major function.

13.25 At the application level, each technical support group provides problem research and resolution on a day-to-day basis. For on-line student inquiries, the Help Desk is available to respond to problems, resolve those that can be immediately addressed and/or forward unresolved problems to respective support groups. Problems are logged and reviewed regularly. There are occasions where unscheduled support has to be provided and work on other projects has to be delayed. These delays are managed by the Director who meets periodically with user groups and also provides progress reports to the standing IT Committee.

13.26 The Computer Services Department has been structured to provide computing services seven days a week, 24 hours a day, while at the same time, minimizing costs. We examined system availability statistics which indicate that with minor exceptions, the availability of hardware, software and network communications are well within normal industry standards. Production programs are backed up weekly and all backup tapes are kept offsite. Computer Services personnel specialize in the various areas of computing service availability. Consequently, failures are addressed quickly to ensure normal delays in computing availability. The depth of experienced staff also provides assurance that any service availability will be addressed quickly and effectively. It is our view that the Computer Services Department provides adequate system performance and capacity.

13.27 Computer viruses are one of the concerns in system security. The End User Support Services group checks for viruses on a frequent basis and monitors their detection and source carefully. Administrative and other systems are periodically checked. We observed that security controls have been implemented and the Security Administrator periodically reviews logs of invalid and unauthorized access attempts. Our review indicated that there have been no security breaches in recent months and standard system security software is in place to mitigate against security breaches.

13.28 System capacity planning is an ongoing concern of the Computer Services Department management. System resources are regularly monitored for system performance and capacity. System maintenance is regularly performed. Annual reviews are completed of capacity requirements, planned enhancement impacts and anticipated student demand peaks. Recent hardware capacity upgrades have provided necessary capacity to meet current needs. Network upgrades have improved capacity, throughput and performance. All these are indicative of appropriate system performance and capacity.

14. RESIDENCE, FOOD AND CONFERENCE SERVICES

Introduction

14.1 The Residence and Conference Services Section can provide accommodations for over 400 students in three different residences. The Section also administers the provision of food and vending services to the entire campus which are awarded to contractors based on competitive bidding processes. The other major activity the section is involved with is conference services, where they provide accommodations during the summer months to conference attendees and tourists. The Department reports to the Vice-President of Finance and Facilities.

14.2 The total revenue from the residence and conference services is approximately $2.2 million per year. The Section incurred a deficit of $5,000 for 1997-98. Revenue includes amounts received for rooms during the academic year as well as rooms rented for conferences and tourists. Included in the total revenue are amounts for Food Services which operate at break-even with revenues and expenditures of about $744,000. Revenues provided directly to the University from vending machines were $61,000 with no direct expenditures.

14.3 The mission of the residence system is "To support and encourage each student's academic achievement and personal development by creating and managing a positive learning and living environment for all residence students."

14.4 We reviewed the management practices in place over the operation of residences, food services, vending and conference services. As part of our examination we interviewed the Manager of Residence and Conference Services, reviewed the draft strategic planning document for the Section, reviewed the Building Condition Report July

1998, examined the food services tendering process, and reviewed the vending operations tendering process.

Planning

14.5 The Section is currently in the process of reviewing its operations with the objective of developing a business plan to guide the operations of the Section into the future. The first step in this process was to have a consultant review the condition of the three residences and identify the basic requirements to allow their continued use. Specifically, the purposes of the consultant's study were:

- to establish the condition of the building components and systems;
- identify the cost of upgrading the building systems to meet the intent of the current codes and regulations and to affect essential repairs;
- establish a priority and time frame within which recommendations should be undertaken;
- estimate the annual maintenance costs for the three buildings;
- prepare an estimate of capital costs and maintenance costs for new construction for comparative purposes; and
- assess the implications on the building systems of planning changes which are now under construction.

14.6 The total cost to repair the three residences; Marion Hall, Bernardine Hall, and Blanchard Hall, is expected to be substantial. Cost estimates do not include professional fees or soft costs. The consultant also provided estimates for a number of alternatives to be considered as part of the business plan development which included options which ranged from eliminating a residence to building a new residence. The consultant also included a variety of renovation alternatives to the existing residences such as; converting double rooms to singles, converting lounges to single units, and relocating the day care center.

14.7 The reason the residences require such extensive repairs is that they range in age from 25-38 years. They will require essential repairs as well as upgrading the building systems to meet the intent of the current building codes. According to the report the normal design life of a building is 25 to 30 years and significant upgrading will be required at the end of this time period.

14.8 Once the extent of the renovations and repairs to the residences is decided, food and conference services will be easier to plan. Both of these activities are directly dependant on the residences. It is mandatory for students in Marion Hall and Bernardine Hall to enrol in the meal plan. Other factors which will impact on the future direction of the

Section, in addition to the condition of the residences, include the availability of reasonably priced housing in close proximity to the campus; and the increased requirements by students for more space, privacy, and less noise. The Section requires a long term strategy which could be in the form of a business plan to ensure that new directions for each of the components of the Section are coordinated.

Recommendation

14.9 The business plan for the Residence and Conference Services Section should be completed and approved on a timely basis.

Rates

14.10 During 1997-98 the Residence and Conference Services Section operated at a deficit of $5,000 although $61,000 from vending was contributed to the operating revenues of the University. According to the Section manager, rates are set to recover targets set in the budget process. Food service rates are set to cover the University's cost of overhead. Historically residence rates were set at levels comparable to other universities in the maritimes. Currently they adjust residence rates by an inflation factor. The Manager of Residence and Conference Services provided information on residence fees in other Maritime Universities. The comparable rates for a double room with 14 meal plan are included in Exhibit 14.1. The rates for conference services are set to be comparable to other universities in the maritimes and must be cheaper than other accommodations in the area because they provide basic rooms.

Exhibit 14.1
Schedule of University Residence Rates

Mount Allison University	$5,410
St. Francis Xavier University	$4,965
University of Prince Edward Island	**$4,862**
Dalhousie University	$4,805
University of New Brunswick	$4,360
Acadia University	$4,355
Mount Saint Vincent University	$4,270
Saint Mary's University	$4,220
Saint Thomas University	$4,025

14.11 The rates for residences and conference services are not based on a clearly defined cost recovery or pricing strategy. Therefore the University does not know if the rates are too high, reducing the demand for the service, or too low, reducing the revenue to the University.

Recommendation

14.12 The process for setting rates for the residences and conference services should be clearly defined based on specific objectives.

15. ATHLETICS

Introduction

15.1 The Department of Athletics, Recreation and Physical Education has responsibility for: intercollegiate athletics in seven sports; management of the Young Canada Games Sports Centre; four academic courses; and the provision of programs directed to students, faculty, staff, alumni, and the general public. Both the on-campus users and the general public have access to recreational sports, camps, and the Communiversity program. This includes pre-school, youth, adult, and seniors involved in both leagues and individual activities. The Department's mission is to enhance the educational experience of students and all individuals taking part in programs. The Department has expenditures of $800,000 per year with offsetting revenues of $350,000 from user groups.

15.2 We reviewed the management practices and procedures in place within the Department including: goals and objectives; monitoring of performance; assignment of administrative responsibilities; process for revising athletic programs; program costs; revenues and user fees; and procedures and policies in place to ensure compliance with national and regional athletic regulations. As part of the examination we interviewed the Director and reviewed strategic planning documents, revenues and expenditures for 1997-98, user fees policies, the Coach's Manual, minutes of Atlantic Universities Athletic Association (AUAA), and the Canadian Interuniversity Athletic Union (CIAU) rules on eligibility and athletic awards.

Planning and Budgeting

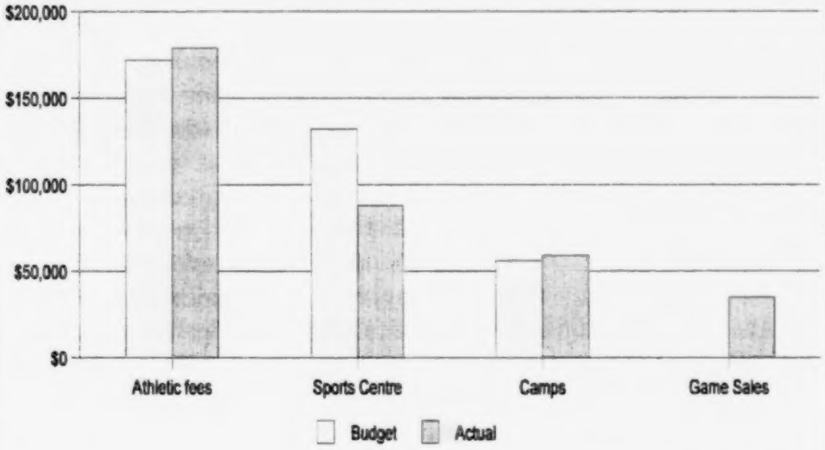
15.3 The Department prepared a strategic plan in 1994. A review of over 200 action steps covering 11 areas indicates the extensive detail of the strategic planning document. In the Spring of 1998, Department staff revisited the plan and identified activities related to key upcoming projects, and assigned a time frame and responsibility for their implementation. The Department is focusing on improving their customer service and developing a marketing campaign which is intended to address the issue of lower than projected revenues from Sports Centre programs.

15.4 No financial analysis data was included in the planning documents. In our opinion, the plan should contain information which provides a link between the annual budget and the objectives noted in the plan. In addition, we found that the Department's own financial targets had not been updated to reflect increased revenue targets established through the University's budget process. For example, in 1997-98 the University established a revenue budget totaling $75,000 for facility rentals and memberships, however, the Department continued to use $55,000 which was the target used in the previous two years. In addition, in 1997-98 the University established a budgeted net profit from Camps and Communiversity programs of $35,000 while the Department had been using a target of $20,000 for the previous two years. The actual profit in 1997-98 was $10,000. The budget information for the Department was changed in 1998-99 to be consistent with the information in the University budget.

User Fees and Program Costs

15.5 The Department's actual revenues for the year ended 1997-98, and the budgeted revenues set by the University are shown in Exhibit 15.1.

Exhibit 15.1
Budget and Actual Revenues
1997-98



15.6 Sports Centre revenues were $88,000 or 67 percent of the 1997-98 budget of $132,000. Memberships, facility rentals, and Communiversity programs all fell below expectations. A 30 percent decline in membership revenues is attributed to more local competition. The introduction of parking fees has caused a decline from the previous year in walking club memberships approaching 40 percent. The Department acknowledged a higher level of service is required and has invested $20,000 in new fitness equipment and eliminated the parking cost for walking club memberships. Game sales are for season passes which total $23,000 for hockey and $8,000 for basketball.

15.7 The rates charged for using Sports Centre programs are presented in Exhibit 15.2. In addition to the annual memberships, users of specific recreational programs pay additional fees. For example, those attending Communiversity programs and Camps pay fees which are expected to provide a net contribution to the overhead costs of operating the Sports Centre in addition to any incremental costs.

15.8 The Department has no authority to increase student athletic fees, as these are set as part of the budget process. They are listed in Exhibit 15.2 as annual student memberships. The amount charged has no direct correlation to the actual cost of providing athletic services. The Department has adopted a policy of annual increases in other user fees which are similar in percentages to the increases in the student athletic fees which are outside the Department's control. Some user fees such as fitness memberships for non-students were initially established in 1991 by the Athletic Management Committee consistent with decisions by the Board of Governors. The rates established in 1991-92 plus the rates in effect in 1997-98 and 1998-99 are shown in Exhibit 15.2.

Exhibit 15.2
Sports Centre Rates

	1991-92 $	1997-98 $	1998-99 $
Annual Memberships:			
Students (compulsory)	40	74	78
Faculty and staff	50	75	80
Alumni and spouses	250	260	260
Communiversity:			
Twenty fitness classes		40	45
Walking club (semester)		30	35
Adult leagues (individual/semester)		40-80	40-85
Adult leagues (per team/semester)		200-500	200-500
Youth programs (both semesters)		80	85
Pre-school (semester)		35	40
Recreation Leagues (student rates):			
Hockey		100	100
Basketball		30	30
Other		10-20	10-20

15.9 There has been no review of the membership fees since they were established including comparison to the fees used by private sector businesses. The rates established for recreational hockey and basketball include a Department subsidy of $2,600 to $3,000.

Intercollegiate Athletics

15.10 The Department administers intercollegiate programs in seven sports with annual costs totalling approximately $400,000. A Coach's Manual is used to guide the activities of its 120 student athletes and coaches. In addition, an Athletes Handbook is provided, educational seminars with athletes are conducted, and a Code of Conduct which is to be signed by athletes and coaches has recently been introduced. These procedures give the Director assurance that the coaches and players are aware of the rules.

15.11 Intercollegiate athletics is governed by the CIAU and the AUAA. The Coach's Manual contains many of the CIAU and AUAA rules and regulations which cover eligibility, academic status, drug education and doping control, and recently introduced player conduct policies such as Zero Tolerance of Abuse of Officials and the UPEI and CIAU Policies on harassment.

15.12 The Department currently provides information to the CIAU on each athlete plus their year of eligibility and where they last played. They also attest to the AUAA that freshman students have the minimum average from high school or have completed a year of study at the University.

15.13 Starting in October 1998, the Athletic Directors in the AUAA will be implementing a new reporting system. Information on athletic demographic profile, sport policy education, and recruiting practices will be reported to provide a database on student-athlete achievements, as well as policy compliance.

Recommendation

15.14 The Department should review the membership rate structure to reaffirm what degree of subsidization is appropriate for each type of user and how the rates compare to other entities offering similar programs and services. User fees should be set in accordance with realistic financial objectives.

16. BOOKSTORE

Operations

16.1 The University operates a bookstore with $1.8 million in annual sales of books, clothing and office supplies. The bookstore provided a net contribution to the University of $180,000 in 1997-98.

16.2 The Bookstore does not have formalized policies for its operation. The operations of the bookstore are at the discretion of the Bookstore manager. There are a number of informal policies which cover areas such as: mark-up rates for different types of inventory, operating hours, textbook ordering, merchandise ordering, returns, and departmental stationary ordering procedures.

16.3 Most of the Bookstore activity is related to the ordering, sale, and inventory of textbooks. In 1997-98 the Bookstore sold $1.1 million in textbooks that had a cost of $900,000. The responsibility for choosing the textbooks rests with the Professor teaching the course. The books ordered are based on the expected enrolment in the course. Most purchases of textbooks come from sole source publishers. All universities pay the same price for textbooks, which is 20 percent below the suggested retail price.

16.4 The Bookstore keeps inventory which has ranged between $750,000 and $642,000 at the last four year-ends. The inventory at year-end 1998 included $300,000 in textbooks, $230,000 in clothing and $111,000 in office supplies.

16.5 The cost of books is a major expenditure for students attending university. Anything that can be done by the University to minimize the price of books would ease the financial burden on the students. We were advised that faculty consider a number of factors and benefits in the selection of textbooks. However, an overall process that takes into account all factors, including the cost to the students is something that needs to be examined.

16.6 There are other options which could be considered such as the purchase and sale of used textbooks by the Bookstore, or allowing the students to set up formal arrangements for buying and selling their used books.

Recommendations

16.7 The various informal operating policies and procedures of the Bookstore should be formalized, documented and approved by management.

16.8 The University should explore options to help minimize the cost of textbooks to students.